EPH 2021 **Annual Report**

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Infrastructure/ Generation/ Logistics

EPH

Energetický a průmyslový holding, a.s.

Consolidated and Single Report for the Year Ended 31 December 2021

Annual Report 2021

Content

12-year history

» By virtue of our strategy and through consistent increase of our presence in Western European power generation markets, we achieved the best financial and business results in the 12-year history of EPH.

General part

Financial and Operational Highlights of the Year

		2021	2020	2019
INCOME STATEMENT				
Revenues	€ million	18,931	8,531	8,572
Gross profit[1]	€ million	4,133	3,636	3,362
Earnings before interest, taxes, depreciation and amortization (Underlying EBITDA)[2]	€ million	2,264	2,150	2,051
Earnings before interest and tax (EBIT)[3]	€ million	1,522	1,376	1,396
Net financial expense	€ million	(56)	(313)	(431)
Profit before income tax	€ million	1,491	1,976	1,141
Profit for the year	€ million	1,227	1,656	803
BALANCE SHEET				
Total assets	€ million	25,189	18,052	16,689
Equity total	€ million	4,903	5,387	3,962
Net working capital[4]	€ million	2,485	577	522
Net financial debt[5]	€ million	4,611	4,361	5,261
CASH FLOW STATEMENT				
Cash flow from operating activities	€ million	1,944	2,047	1,896
Cash flow from investing activities	€ million	(1,106)	396	(652)
Cash flow from financing activities	€ million	(99)	(1,932)	(1,004)
Change in cash and cash equivalents	€ million	739	511	240
Cash and cash equivalents	€ million	2,497	1,753	1,246
Capital expenditures (CAPEX)[6]	€ million	441	404	364
Income tax paid	€ million	416	438	248
Free Cash flow (FCF)[7]	€ million	1,407	1,308	1,439

		2021	2020	2019
RATIOS				
Net leverage[8]	X	2.0x	2.0x	2.6x
Cash conversion[9]	%	62.15%	60.84%	70.16%
Operating KPIs				
Average number of employees	#	10,564	11,281	11,454
Net installed capacity[10]	MW	11,131	11,593	13,302
Net power production	TWh	39.8	38.1	33.4
Emissions intensity	t CO_2 /GWh	494	461	465

1 Grofit profit represents Revenues less Purchases and consumables.
2 Underlying EBITDA has been prepared in accordance with the definition set out in the note 5 to the Consolidated financial statements.
3 EBIT =Profit (loss) from operations.
4 Net working capital = Trade receivables and other assets (non-current and current) + Inventories + Extracted minerals and mineral products + Prepayments and other deferrals (current) + Current income tax receivable – Trade payables and other liabilities (non-current and current) – Current income tax liability.
5 Net financial debt = Loans and borrowings + Issued bills of exchange – Cash and cash equivalents.
6 Capital expenditure (CAPEX) represents additions to tangible and intangible assets less emission allowances, additions to right of use assets plus advances paid for tangible and intangible assets.
7 Free Cash flow is defined as Underlying EBITDA less CAPEX less Tax paid.
8 Net leverage = Net financial debt / Underlying EBITDA.
9 Cash conversion = (Underlying EBITDA – CAPEX – Tax paid) / Underlying EBITDA.
10 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken off the merchant market in December 2021 whereas the transmission system operator (Tennet) subsequently required Mehrum to be in a standby mode for at least 2022 for security of supply purposes which is pinpointed by the current situation. On the other hand, the Group has been investing into new low emission sources in Italy, Ireland and the UK (installed capacity of the new power plants under construction is approx. 2.6 GW).

» **The past year proved to be exceptionally challenging, confirming the resilience of our business model.**

Daniel Křetínský Chairman of the Board of Directors

EPH

Introduction by the Chairman of the Board of Directors

Dear Stakeholders,

It is my pleasure to introduce you to the annual report of Energetický a průmyslový holding, a.s. ("EPH" or the "Group") for the year 2021.

Before I carry on with highlighting the business results of our group in 2021, I must address the events determining the first months of 2022. The war against Ukraine is a war against the very fundamentals of European civilization. We are deeply saddened and shocked by the events happening at EU borders and I want to personally express my compassion and absolute support to the people of Ukraine, who are, in the very days I am writing these words, facing a unjustifiable military aggression not seen in Europe since the World War II. The least what we can do is to deploy our financial resources and offer helping hands to those who flee the warzone. Through the EP Corporate Group Foundation in the Czech Republic and the EPH Foundation in the Slovak Republic we are providing an initial support of €2 million to those in need. I am very proud that also the employees of the Group have made immense efforts to support Ukraine financially, materially, and even by way of providing accommodation for refugees in their own homes or personally delivered humanitarian aid to Ukraine. We are fully aware of major importance of energy security and availability in these extremely difficult moments, we are committed to flexibly respond to the needs and deliver.

GROUP STRATEGY AND FINANCIAL PERFORMANCE

The year 2021 was still affected by the COVID-19 pandemic. In combination with the turbulent situation on the energy markets during the last quarter, the past year proved to be exceptionally challenging, confirming the resilience of our business model. Combining power generation within the EP Power Europe group ("EPPE") and gas transmission, distribution and storage and power distribution within the EP Infrastructure group ("EPIF"), and conservative financial management of the whole Group, we have shown that our customers and business partners can count on us even in the most difficult times. I am glad to state that the key performance indicators of the Group improved as compared to the year 2020 and, at the same time, we made significant progress also in terms of new project development and our environmental and social commitments.

In 2021, the consolidated EBITDA[1] of the Group reached €2,264 million which means an increase of 5% compared to 2020 and historically the best result of the Group, primarily driven by EPPE's performance. Considering the challenging development of 2021, this is truly extraordinary. The Free Cash Flow[2] reached €1,407 million, approx. 8% more than in 2020. Strong performance accompanied with superb Free Cash Flow contributed to our Net Leverage[3] at 2.0x, a conservative level compared to our industry peers.

BUSINESS PERFORMANCE

Power Generation. With annual consolidated net power production of almost 40 TWh, net installed capacity of 11.1 GW and high powerplant availabilities, the EPH group has been progressing towards being ranked as one of the most important power producers in the EU. With massive, planned development projects, the position is to further improve both in providing security of supply in regions with market imbalances and in replacing less environmentally friendly power generation facilities by modern low-to-zero emission ones.

Gas Transmission. In 2021, the gas transmission segment, represented by Eustream, was affected by low reverse gas flows from Slovakia to Ukraine and relatively low amount of gas shipments in general. Eustream has transported 42 billion cubic metres of natural gas, which means a 27% decrease in comparison to the previous year. Despite challenging market circumstances, Eustream continued the modernization and enhancement of its pipeline to maintain its pivotal role as one of the largest and most important piped gas transit routes in Europe. Eustream is finalizing the construction of a strategic Slovakia–Poland interconnector with commissioning of the route planned in the first half of 2022. This interconnector will i.a. provide access to LNG from Baltic Sea coast terminals. Following the extension of a compressor station finalized in 2020, increasing the transmission capacities from the Czech Republic to Slovakia, the interconnection to Poland represents another milestone of enhancing energy security in Europe. Finishing of this project makes Eustream a key factor in gas transmission from west to east and north to south of Europe.

Gas Storage. After extraordinary performance of the gas storage segment in 2020, the rates charged for storage in our region declined in response to high gas prices, reducing the incentive to store gas seasonally. Our overall storage capacity is almost 64 TWh and includes assets in strategic regions connected to key gas routes. In addition to its traditional assets in Slovakia, EPIF operated storage facilities in South-Eastern Bavaria acquired at the end of 2018 with capacity of almost 20 TWh. These are currently contracted to a major extent on a store-or-pay basis until 2027.

1 EBITDA has been prepared in accordance with the definition set out in the note 5 to the consolidated financial statements.
2 Defined as EBITDA less CAPEX less Tax paid.
3 Defined as Net financial debt / EBITDA whereas Net financial debt represents Loans and borrowings plus Issued bills of exchange less Cash and cash equivalents.

Gas and Power Distribution. The gas distribution segment, led by SPP Distribúcia, distributed 59 TWh of natural gas, which was a 10% increase against 2020. Stredoslovenská distribučná, a Slovak electricity distribution company, increased its last years volume of distributed electricity by 8% to 6.4 TWh, maintaining a stable growth. Stredoslovenská energetika acted as a supplier of last resort for customers in central Slovakia, providing electricity to customers who lost their supplier in a wave of bankruptcies of less stable companies caused by an abrupt development of electricity prices in 2021.

Heat Infra. Performance of the Heat Infra segment was favourably affected by weather as well as by the development of commodity prices. Average temperatures in the first half of the year 2021 were significantly lower than in years 2019 and 2020, resulting in an increase of heat offtake from district heating networks we operate by 10% year-on-year to 8.8 PJ. We also confirmed our position as a major power producer in the Czech Republic increasing our output by 26% year-on-year to 2.6 TWh in response to the electricity market development.

NEW PROJECTS AND ENVIRONMENTAL COMMITMENTS

Historically, the Group has been growing through acquisitions. In the last years, we started to concentrate on developing green fields and renewable projects. Among the most important projects of cutting edge and very flexible generation, we can point to Kilroot gas power plant in the UK with a capacity of almost 700 MW and Tavazzano gas power plant in Italy with a capacity of 800 MW. Further, we are about to launch additional market-critical new build gas development projects in Italy and in the Republic of Ireland, together with Kilroot and Tavazzano representing an investment of ca. €1.4 billion and a total installed capacity of 2.6 GW – a tribute to our strategy of providing both the flexibility and security of supply, supporting massive deployment of renewable generation. All the above-mentioned projects are built hydrogen-ready. The projects we develop position us, to our best knowledge, as the largest European developer of the new flexible cutting-edge sources of power generation. All of them being low in emissions will contribute to an even greater stability of the EPH results in the long run.

We are also focusing on development of renewable power generation, and we managed to position us among the top developers of renewable projects in Germany. Via EP New Energies, the EPH group owned renewable developer, we develop multi-GW-scaled pipeline of renewable projects. Among others, in 2021, we selected GE to supply 300 MW of state-of-the-art 6 MW class wind turbines for our projects. The turbines will be installed in onshore wind farms in Germany, including the 100 MW project Forst-Briesnig II in the Federal State of Brandenburg. The approval procedures for the projects will start as early as this year with the first construction to commence in 2023. Projects like this are part of EPH group's renewable energy strategy of transforming the former open cast mining areas to renewable power generation areas, implementing the true transition from conventional to sustainable power generation.

It should also be mentioned that in the part of the EPH group, which is not consolidated, we witnessed substantial progress in the development of unit three and unit four of Mochovce nuclear power plant in Slovakia, with a capacity of 471 MWe per unit. The third unit of the powerplant shall be fully operational in 2022 and start producing the much-needed emission free electricity.

Introduction by the Chairman of the Board of Directors

The carbon emission intensity of our generation, one of our most prominent KPIs, has decreased significantly over the last 7 years. Following our massive investments into new technologies and decommissioning of traditional coal plants, the emission intensity factor (measured as tons of CO_2 emitted per GWh of energy produced) decreased by massive 40%. As a result of our investment programme and diligent operations, we are proud to say that 78% of net power produced in 2021 in our consolidated operations was from zero- or low-carbon-intensive sources. Yet we do not stop here. We take the necessary steps to further improve the emission intensity factor, encompassing both planned transformation or decommissioning of coal power plants (unless vitally needed for the respective energy system) and new developments and conversions. This is also in line with our commitment to decommission all our coal power plants by 2030 (except for Germany where the decommissioning timeline is in line with the government's central plan) and to reach carbon neutrality by 2050. As a testimony to our environmental efforts in September 2021 EPH received a very pleasing ESG Risk Rating of 22 (medium risk) from Sustainalytics which placed EPH on 15th position globally from all companies in the multi-utilities sector.

The challenges of2021 have shown that the Group's overall structure is rightly set. The impact oflower gas flows in the EPIF segment has been balanced by our activities in the area of power generation and commodities trading within EPPE. This validates our general business approach of combining activities in different business sectors with different, and often opposite, sensitivities to external factors such as commodity prices or even political risks. By virtue of our strategy and through consistent increase of our presence in W estem European power generation markets, we achieved the best financial and business results in the 12-year history ofEPH. I am sure that our strategy will prove successful despite the unprecedent challenges which this year is bringing. And, as throughout our history, EPH group stands committed to share its success with those who will be most in need.

To conclude, I would like to express my thanks to our employees across the segments and countries for their commitment and hard work as well to our investors and business partners who have been participating in the implementation of our strategy, for placing their trust and support into our business activities. Our teams are key asset and strength of our group. Their skills, expertise, personal and collective contributions lead to success we achieved this year. We look forward and remain totally committed to executing our strategy in the years to come.

Sincerely,

Daniel Křetínský
Chairman of the Board of Directors, CEO

EPH

Combined Review of Operations

1 Combined Review of Operations

1.1 Major events in 2021

ACQUISITIONS AND DISPOSALS

DISPOSAL OF PRZEDSIĘBIORSTWO GÓRNICZE SILESIA

On 28 January 2021, EPH signed a contract to sell 38.93% shares of Przedsiębiorstwo Górnicze SILESIA Sp. z o.o. (“PGS”) and 100% shares of Mining Services and Engineering Sp. z o.o. to Bumech S.A., a Polish third-party mining equipment company.

ACQUISITION OF STEAG POWER MINERALS

On 31 May 2021, EPPE acquired 100% shares in STEAG Power Minerals GmbH (SPM) and its facilities from STEAG. Starting June 1, SPM presented itself under the new name EP Power Minerals (EPPM).

EPPM is a European leader in the provision for the power plant by-products and expendable blasting single use abrasives and it also provides broad range of waste management services. With this step, EPPE confirms its long-term intention to strengthen its position in the segment of sustainable development and environmentally friendly solutions.

ACQUISITION OF DOBRÁ ENERGIE

On 1 July 2021, EP ENERGY TRADING, a.s., subsidiary of EPIF, acquired 100% share in Dobrá energie s.r.o.

TAKEOVER OF REMAINING SHARES OF SCHKOPAU POWER PLANT

On 1 October 2021, Saale Energie GmbH became the sole owner of the Schkopau power plant located near Halle (Germany). Saale Energie is a subsidiary of EPPE. Saale Energie had owned an almost 42 percent share in the power plant since 2012 and now took over the remaining shares as a result of historical agreements with Uniper (seller).

Schkopau is a 900 MW lignite-fired power plant in Saxony-Anhalt, which is an important component of Central Germany’s energy supply sourced mainly by lignite produced in the Profen open-cast mine belonging to Mibrag. Primarily acts as an industrial power plant supplying specialized railway power to Deutsche Bahn and process steam for an adjacent chemical park.

FINANCING

EPH SIGNED EUR 1 BILLION FINANCING WITH GROUP OF INTERNATIONAL BANKS

On 16 March 2021, EPH signed a new EUR 1 billion term and revolving facilities agreement with a banking syndicate comprising of several international banks.

The facilities are unsecured and rank pari passu with other financial indebtedness of EPH and have a three-year term. EPH has used proceeds of the facilities primarily to refinance certain other financial indebtedness of the EPH group and for general corporate purposes.

OTHER FINANCING EVENTS

On 2 March 2021, EP Infrastructure, a. s. successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in March 2031 in the denomination of EUR 100,000 each (“2031 Notes”). The 2031 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2031 Notes will be redeemed at their principal amount on 2 March 2031.

On 5 March 2021, EP Infrastructure, a.s. fully repaid the term loan facility A in total amount of EUR 400 million.

On 9 June 2021, SPP – distribúcia, a.s. issued bonds in the amount of EUR 500 million with a fixed interest rate of 1% p.a. The maturity of bonds is on 9 June 2031.

On 25 August 2021, Nafta a.s. voluntarily repaid EUR 120 million on a term loan facility maturing 2024 using own cash.

OTHER MAJOR EVENTS

EUROPEAN UNION REGULATORY ENVIRONMENT CHANGES

In July 2021 “Fit for 55” package was published which aim to align EU climate energy, transportation and tax policies accordingly in order to achieve EU target for climate neutral economy by 2050. It consists of several legislative proposals, including revision of EU emissions trading scheme (EU ETS), the Renewable Energy Directive (RED), the Energy Taxation Directive and a proposal for a Carbon Border Adjustment Mechanism (CBAM). On 15 December the package was complemented by “Hydrogen and Decarbonized Gas Market” legislative package, containing rules for an open and competitive market for renewable and low-carbon gases, including hydrogen. The legislative proposals will be discussed by the co-legislators before final adoption, which can be expected to take place in 2023.

The EU Taxonomy Regulation, published on 22 June 2020 and entering in to force on 12 July 2020, aims to create a uniform classification system to identify economic activities that companies and investors can qualify as environmentally sustainable. Taxonomy establishes six environmental objectives. Under the Taxonomy Regulation, the Commission had to come up with the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated acts. A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was published in the Official Journal on 9 December 2021 and is applicable since January 2022. A second delegated act for the remaining objectives will be published in 2022.

On 2 February 2022, the Commission approved in principle a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU taxonomy. The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerating the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future.

The Group announced its plan to decrease its emissions on current sources by 60% till 2030 and become climate neutral until 2050. In transforming its activities, the Group is also emphasizing the preservation of security of energy supply, affordability for customers and support for local economies in the regions concerned.

UK CAPACITY MARKET PARTICIPATION

During the first quarter of 2021, EP UK Investment succeeded in the All Island capacity market auction four years ahead of delivery (“T-4 auction”) for the 2024/2025 delivery year for the Single Electricity Market. EP Ballylumford has been awarded contracts for its existing CCGT and OCGT units. In addition, EP Kilroot secured a contract for new capacity associated with a second new OCGT unit at Kilroot power station that is now under construction with a planned commissioning in 2023.

TRANSFORMATION TOWARDS LOW EMISSION SOURCES

On 1 April 2021, results of second auction for decommissioning of coal-fired power plants (”PP”) was announced by German Federal Network Agency. Deadline for offers into this auction was on 4 January 2021 and EPH, through its wholly owned subsidiaries, submitted offers for two power plants, hard coal fired PP Mehrum and lignite fired PP in Deuben operated by MIBRAG with capacity of 690 MW and 67 MW respectively. Both power plants were successful in their respective bids and were allocated with compensation. As a result, EPH has been no longer entitled to market the electricity generated in these plants after 8 December 2021, which has substantially reduced the CO2 produced by EPH power plant portfolio since then. Mehrum is currently kept operational as per request of German Network regulator for network stability purposes until further decision.

EP New Energies GmbH („EPNE“), the EPH Group owned renewables developer, selected GE Renewable Energy („GE”) to supply 50 wind turbines, each with 6 MW rated capacity. The wind turbines will be installed in wind-onshore farms being developed by EPNE in Germany, among them the 100-MW-project Forst-Briesnig II in the Federal State of Brandenburg, owned by LEAG. The approval procedures for the projects will start as early as this year with the first construction to start in 2023. This step is part of EPH Group’s renewable energy strategy to transform real estate capabilities and former open-cast mining areas by implementing onshore wind energy and photovoltaics.

AGREEMENT WITH GERMAN GOVERNMENT BY LEAG

On 10 February 2021, in addition to the law that has come into force on 14 August 2020 for the reduction and termination of the coal-fired power generation (“KVBG”), the public law contract provided in § 49 KVBG for the reduction and termination of the coal-fired power generation in Germany was signed.

With that the German Republic and the operators of lignite plants and opencast mines are implementing in a consensual way the recommendations of the commission for “Wachstum, Strukturwandel und Beschäftigung” (KWSB) for the reduction und termination of the coal-fired power generation in Germany.

The coal phase-out is for the Lausitz Energie Kraftwerke GmbH (“LEK”) associated with high financial burdens. Together with the KVBG, the contract regulates the decommissioning of German lignite plants according to the agreed decommissioning plans as well as the amount of the compensations agreed and continues to shape them. Based on the contract LEK is entitled to a compensation claim of EUR 1.75 billion for the decommissioning of its plants. With conclusion of the contract LEK and Lausitz Energie Bergbau GmbH (“LEB”) waive remedies against the measures based on the KVBG and the contract. However, the actual damages and disadvantages are significantly higher.

In accordance with the pending approval by the EU Commission under the regulations of the KVBG and the public law contract, the payment of the compensation will be paid to the recultivation companies held by LEB and pledged in favour of the federal states of Brandenburg and Saxony.

To implement the statutorily required and contractually agreed regulations, LEK and LEB have signed the assignment agreement on 23 February 2021, in which LEK assigns claims to LEB. The assignment is subject to the approval of the EU Commission.

The rights and obligations of the contracting parties involved are subject to the approval of the public law contract by the European Commission under state aid law or a corresponding notification by the European Commission that the examination under state aid law can be brought to a positive conclusion by means other than approval.

LEAG INVESTS IN THE LEIPHEIM GAS TURBINE POWER PLANT PROJECT (OCGT)

In February 2021 LEAG has joined partners in southern Germany to take a further important step towards becoming a diversified energy and service company. It has acquired, with immediate effect, 100% of the shares in Gaskraftwerk Leipheim GmbH & Co. KG ("GKL"), a project company of SWU Stadtwerke Ulm/Neu-Ulm GmbH, which has developed the project together with its partners, Siemens Energy and STEAG. The acquisition of GKL involves investment in the 300MW gas turbine power plant in Leipheim to the northeast of Ulm. A tender for special network operation equipment launched by Amprion, the Dortmund-based transmission system operator, is the starting point for the construction of the new power plant, which has been designed to ensure grid stability in Germany in emergency situations. GKL has already been granted the pollution prevention and control permit, as well as the planning approval for the gas and electricity routes. Preparatory construction work for the new connection route is already underway and the construction site should be cleared in February. Siemens Energy could start construction of the plant as early as this summer. Siemens Energy will also be responsible for on-site operational management and maintenance, whereas the project will be managed from Lusatia. The power station is to go into operation in August 2023, with an envisaged performance period of ten years. As Leipheim will not participate in the regular electricity market, call-offs from this power plant will be permitted solely through Amprion, the transmission system operator.

SELECTED EVENTS THAT OCCURRED AFTER THE REPORTING DATE

EP LOGISTICS INTERNATIONAL CLOSING STRATEGIC PARTNERSHIP AGREEMENT WITH SLOVENIAN SŽ D.O.O.

On 14 January 2021, EP Logistics International, a.s. ("EPLI") has closed a strategic partnership agreement with Slovenian company SŽ d.o.o. SŽ d.o.o. has contributed SŽ-TP d.o.o. and Fersped d.o.o. to the joint-venture and EPLI has contributed the agreed amount of money. The joint-venture company SŽ EP Logistika d.o.o. will become one of the key carriers of freight transport and logistics in the region, which includes the territories of Bosnia and Herzegovina, Croatia, Northern Macedonia, Montenegro, Serbia, Slovenia, Austria, Hungary and Italy. The bodies of the joint venture, as well as the bodies of SŽ-TP and Fersped were strengthened with top international experts in this field. From the very beginning, the new partnership will start a new chapter in the international development of freight transport and logistics of the SŽ and EPLI groups, strengthened not only in terms of capital but also in terms of human resources.

WAR IN UKRAINE

In the context of the ongoing Russian military invasion of Ukraine and associated sanctions targeting the Russian Federation, the EPH Group has identified risks and taken relevant measures to mitigate the related impacts on its business activities.

Based on available information and the most recent developments, the Group has been analysing the situation on an ongoing basis and assessing its impacts on the whole EPH Group. In particular, the EPIF Group is exposed to, among others, an increased counterparty risk related to Russian gas flows even though the revenue is based on a ship-or-pay condition. It is to note, that none of the capacity payments (including those from the Russian client) has been delayed so far. From the EPPE Group perspective, the current situation does not pose a significant risk on its operations. This is primarily driven by the fact that the EPPE operations are largely diversified – both by nature of operation and location – and dependence on Russian gas is assumed rather low. In addition, a significant part of EPPE's results relates to provision of much needed balancing services supporting stability of the grid. This is further fuelled by presence in capacity markets in Italy and the UK. Besides these regulated services, EPPE is an active player in Western European power generation markets and in trading. Also, higher power spreads are largely to the Group's benefit due to mix of fuel used (predominantly gas which is price setter of power in most markets where the Group is present, biomass and domestic lignite).

In general, as the EPH Group is providing a service to which there is often no alternative in the region where the particular subsidiary operates, the Group has taken a number of actions in order to preserve the position of the EPH Group and its key stakeholders. In particular, on 3rd March 2022 EPIF made a public statement confirming that its overall Russian exposure was reduced already during 2021, while the EPIF Group maintains its leverage below its target leverage and its liquidity position has not been impaired. Further, on 10th March 2022 EPIF's both shareholders expressed their commitment and readiness to postpone dividend distributions from EPIF to them, which will allow a better cash position for the EPIF Group.

In overall, the Company's management has evaluated potential impacts of the current situation on its activities and its business and has concluded that there are no significant impacts on the Company's consolidated financial statements for the year ended 31 December 2021 and the going concern assumption as of the date of preparation of these financial statements.

However, it cannot be ruled out that there will be further negative developments in the situation which will subsequently have a significant negative impact on the EPH Group, its business activities, financial conditions, performance, cash flows and general outlook.

Except for the matters described above and elsewhere in the Annual Report or Notes to the Financial Statements, the Company's management is not aware of any other material subsequent events that could have an effect on the Statutory and Consolidated Financial Statements as at and for the year ended 31 December 2021.

1.2 Business performance

OPERATIONAL PERFORMANCE

PERFORMANCE OF INFRASTRUCTURE ASSETS

Majority of EPH critical energy infrastructure assets are bundled under umbrella of EPIF. These assets represent one of two key pillars of EPH business with stable financial performance and minimal carbon footprint.

Operational performance of infrastructure assets is driven namely by development of economic activity as well as weather conditions in Central Europe. Additionally, Gas Transmission is influenced by the gas market development in Europe. These factors influenced all segments of the infrastructure business.

Gas transmission capacity in 2021 was 73.7 bcm (entry bookings). The volume of transited gas was 41.6 bcm, representing a decrease of 27% (57.0 bcm in 2020).

In segment of Gas and Power Distribution, EPH Group distributed 59.2 TWh of gas representing an increase of 10% (53.9 TWh in 2020) and 6.4 TWh of power representing an increase of 9% (5.9 TWh in 2020).

The Group supplied 8.8 PJ of heat (19.8 PJ in 2020). Majority of supply volumes belong to our highly efficient CHP plants in the Czech Republic under EPIF Group, with minor supply volumes provided also by our German operations under EPPE Group. The decrease of 56% in 2021 is mainly attributable to disposal of Pražská teplárenská a.s. and Budapesti Erömü Zrt. in the last quarter of 2020.

KPI	Unit	2021	2020	2021 - 2020	%
Performance of EPH infrastructure assets					
Gas Transmission Capacity*	bcm	73.1	88.7	(15.0)	(17%)
Gas Transmission Flows	bcm	41.6	57.0	(15.4)	(27%)
Gas Storage Capacity	TWh	64.2	64.2	(0.0)	(0%)
Gas Distribution	TWh	59.2	53.9	5.3	10%
Power Distribution	TWh	6.4	5.9	0.5	8%
Heat Supply	PJ	8.8	19.8	(11.0)	(56%)

* Represents entry capacity bookings.

PERFORMANCE OF POWER GENERATION ASSETS

Power generation assets represent younger part of EPH portfolio, which developed in past years to second solid pillar of EPH operations providing diversification to its operations, with majority of these are bundled under EPPE Group. EPH Group consolidates 11.1 GW of net installed power capacity (11.6 GW in 2020). The capacities generated 39.8 TWh of power (38.1 TWh in 2020).

EPIF Group consolidates 1.0 GW of net installed power capacity (1.0 GW in 2020) represents highly efficient CHP plants, with minor renewable wind, solar and biogas generation capacities. EPIF Group generated net power volume of 2.6 TWh of power (3.3 TWh in 2020). The decrease is primarily driven by disposal of Budapesti Erömü Zrt. in December 2020.

EPPE Group consolidates 10.2[4] GW of net installed power capacity in Germany, the UK, Ireland, France, and Italy (10.6 GW in 2020). These assets generated 37.3 TWh power (34.7 TWh in 2020). The 7% increase is driven by higher generation in Italy due to high market dynamics in 2021 and an acquisition of Schkopau power plant in Germany on 30 September 2021. On the other hand, decrease of generation in the French market was mainly primarily by disposal of CCGT assets as of 30 September 2020 and by one of the coal sources being taken off the grid and starting its decommissioning.

KPI	Unit	2021	2020	2021 - 2020	%
Net installed capacity – Electricity – Total					
EPIF Group					
Czech Republic	MW	900	900	-	-
Slovakia	MW	68	68	0	-
Hungary	MW	-	-	-	-
Total – EPIF Group	**MW**	**968**	**968**	**0**	**0%**
EPPE Group					
Germany	MW	938[5]	795	143	18%
France	MW	838	1,432	(595)	(42%)
Ireland	MW	384	384	-	-
UK	MW	4,014	4,025	(11)	(0%)
Italy	MW	3,989	3,989	0	0%
Total – EPPE Group	**MW**	**10,163**	**10,625**	**(462)**	**(4%)**
Total – EPH Group	**MW**	**11,131**	**11,593**	**(462)**	**(3%)**

4 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken of the merchant market in December 2021 whereas the transmission system operator (Tennet) subsequently required Mehrum to be in a standby mode for at least 2022 for security of supply purposes which is pinpointed by the current situation. On the other hand, the Group has been investing into new low emission sources in Italy, Ireland and the UK (installed capacity of the new power plants under construction is approx. 2.6 GW).

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KPI	Unit	2021	2020	2021 - 2020	%
Net power production – Total					
EPIF Group					
Czech Republic	TWh	2.5	2.0	0.5	26%
Slovakia	TWh	0.0	0.0	-	-
Hungary	TWh	-	1.3	(1.3)	(100%)
Total – EPIF Group	**TWh**	**2.5**	**3.3**	**(0.8)**	**(23%)**
EPPE Group					
Germany	TWh	2.5	1.3	1.2	89%
France	TWh	0.8	1.7	(0.9)	(52%)
Ireland	TWh	1.9	1.7	0.2	14%
UK	TWh	15.2	15.1	0.1	1%
Italy	TWh	16.9	14.9	1.9	13%
Total – EPPE Group	**TWh**	**37.3**	**34.7**	**2.6**	**7%**
Total – EPH Group	**TWh**	**39.8**	**38.1**	**1.8**	**5%**

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 12.6 GW of net installed power capacity (13.0 GW in 2020) and generated 64.2 TWh power (61.4 TWh in 2020). Major share of this is represented by LEAG Group and Slovenské elektrárne Group.

SUSTAINABILITY PERFORMANCE

As a key energy player, EPH is aware of its role in the ongoing transformation of the energy system in Europe with the objective to limit the threat posed by climate changes. EPH fully supports the resolutions passed by the Paris Climate Conference in 2015, committing all the countries involved to limiting the global temperature increase to significantly less than 2 degrees Celsius compared with the pre-industrial level.

In August 2021, EPH reinforced its ongoing decarbonization efforts with formal targets and plans a 60% reduction in emissions from existing sources by the end of the decade and full carbon neutrality by 2050. By 2030, EPH will stop using coal as a fuel for power and heat generation in all countries where it operates except Germany, where EPH will implement a coal phase-out schedule defined by German legislation. In transforming its activities, EPH is also emphasizing the preservation of security of energy supply, affordability for customers and support for local economies in the regions concerned. Our decarbonization and energy transition plans and ongoing efforts are described below in the section *Emissions and environmental protection activities*.

Combined Review of Operations

EMISSIONS AND ENVIRONMENTAL PROTECTION ACTIVITIES

EPH Group produced 21.3 million tons of CO_2 emissions (19.8 million tons in 2020) with intensity of 494 ton CO_2/GWh (461 ton CO_2/GWh in 2020). GHG Emissions volume and intensity follow power and heat generation volumes as well as generation fuel mix. Emissions intensity is calculated including heat component, as without these the performance of our highly efficient CHP plants would be distorted.

EPIF Group produced 3.5 million tons of CO_2 emissions (3.8 million tons in 2020) with intensity of 621 ton CO_2/GWh (480 ton CO_2/GWh in 2020). The increase in emission intensity was related to disposal of BERT with lower emission intensive CCGT plants at the beginning of December 2020. This also contributed to an overall reduction of 0.2 million tons of CO_2 emissions compared to 2020.

EPPE Group produced 17.8 million tons of CO_2 emissions (16.0 million tons in 2020) with intensity of 475 ton CO_2/GWh (457 ton CO_2/GWh in 2020). The overall increase in CO_2 emissions volume is primarily driven by the acquisition of Schkopau (lignite) power plant in Germany on 30 September 2021 as a result of the historical agreements with the seller (Uniper) and disposal of CCGT assets as of 30 September 2020.

KPI	Unit	2021	2020	2021 - 2020	%
Direct GHG Emissions (Scope 1)					
EPIF Group					
Czech Republic	million tons CO_2 eq.	3.3	2.8	0.5	17%
Slovakia	million tons CO_2 eq.	0.2	0.2	(0.0)	(22%)
Germany	million tons CO_2 eq.	0.0	0.0	0.0	187%
Hungary	million tons CO_2 eq.	-	0.7	(0.7)	(100%)
Total – EPIF Group	**million tons CO_2 eq.**	**3.5**	**3.8**	**(0.3)**	**(7%)**
EPPE Group					
Germany	million tons CO_2 eq.	3.2	1.6	1.6	99=
France	million tons CO_2 eq.	0.5	0.6	(0.1)	(15%)
Ireland	million tons CO_2 eq.	0.8	0.7	0.1	12%
UK	million tons CO_2 eq.	5.7	5.7	0.0	1%
Italy	million tons CO_2 eq.	7.6	7.4	0.2	3%
Total – EPPE Group	**million tons CO_2 eq.**	**17.8**	**16.0**	**1.8**	**12%**
Total – EPH Group	**million tons CO_2 eq.**	**21.3**	**19.8**	**1.6**	**8%**

KPI	Unit	2021	2020	2021 - 2020	%
Emissions intensity – Including heat component					
EPIF Group					
Czech Republic	ton CO_2 eq./GWh	625	617	9	1%
Slovakia	ton CO_2 eq./GWh	17	5	11	206%
Hungary	ton CO_2 eq./GWh	-	260	(260)	(100%)
Total – EPIF Group	**ton CO_2 eq./GWh**	**621**	**480**	**141**	**29%**
EPPE Group					
Germany	ton CO_2 eq./GWh	1,138	1,004	134	13%
France	ton CO_2 eq./GWh	643	361	282	78%
Ireland	ton CO_2 eq./GWh	390	398	(8)	(2%)
UK	ton CO_2 eq./GWh	379	379	(0)	(0%)
Italy	ton CO_2 eq./GWh	452	496	(43)	(9%)
Total – EPPE Group	**ton CO_2 eq./GWh**	**475**	**457**	**18**	**4%**
Total – EPH Group	**ton CO_2 eq./GWh**	**494**	**461**	**32**	**7%**

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s. and Pozagas a.s. in Slovakia, SPP Storage, s.r.o. in the Czech Republic, NAFTA Speicher GmbH in Germany and Humbly Grove Energy Limited in the UK and in respective summary indicators, in the amount of 0.2 mil ton CO_2 in 2021 (0.2 mil in 2020).

In 2021, the EPH Group continued to be very active in the area of environmental protection. The companies within the EPH Group continued to be operated in a manner ensuring their failure-free operation and high efficiency in producing electricity and heat, which has direct impact on the volume of produced emissions.

To ensure conducting its business activities in an environmentally safe and responsible manner and to minimise their impact on the environment the Company has adopted new group-wide Environmental Policy. The Environmental Policy sets basic principles to be followed in terms of the climate change and carbon footprint reduction, protection of biodiversity, environmental management system, environmental impacts of the product portfolio, customer efficiency, regulatory compliance, renewable and clean energy promotion, resource and energy efficiency, waste management and end cycle management. All EPH subsidiaries are obliged to update their own policies to comply with the principles mentioned above.

Several environmental regulations in Germany, France, Italy, the United Kingdom, and the European Union regulate the EPH Group activities. These include regulations governing the discharge and emission of pollutants, the handling of hazardous substances and their disposal, cleaning of contaminated sites and health and safety of employees. For example, EPH Group is subject to regulations that impose strict limits on emissions of carbon dioxide (CO_2), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and solid dust particles emissions (SDP).

The EPH Group will continue to maintain its compliance with these environmental legislative requirements and with the future requirements as well. In 2021, the Group continued to invest considerable amounts into the restructuring of several plants to enhance their environmental profile as well as to be in line with regulation.

HEAT INFRASTRUCTURE DECARBONIZATION

Elektrárny Opatovice, a.s. aims to reduce the production of CO_2 from fossil fuels as much as possible while maintaining the heat supply to the local central heating system in combination with electricity generation and provision of grid-balancing services. Current lignite units are expected to be replaced with less emission-intensive sources such as natural gas or municipal waste. The modernization of the source should take place by the end of 2030, which is in line with the EPIF coal exit commitment. The technologies considered are a gas cycle (gas turbine with a waste heat boiler) and gas boilers (steam or hot water). In addition to natural gas combustion, the selected technologies will also be prepared for the future combustion of emission-neutral synthetic gases or hydrogen. Decarbonisation is planned to be partially financed with the support of the Modernization Fund.

In 2021, United Energy, a.s. continued to focus on development plans in the area of diversification of the types of fuels used for the production of the main commodities (heat and electricity) and the preparation of a gradual decline in the use of coal. Mid-term plan for decarbonisation continued. The reconstruction of the K6 boiler with the aim of enabling 100% combustion of wood biomass successfully entered into testing phase. Final acceptance of the project is planned during first half of 2022.UE also commenced preparatory works for commissioning of gas-fired turbines to replace existing lignite units around 2026. Similarly to EOP, readiness of gas turbines for partial combustion of renewable gases is envisaged.

At Plzeňská teplárenská, a.s., share of biomass in the fuel mix increased after a boiler co-combusting lignite with biomass was refurbished in 2021, raising the share of biomass in the particular boiler to 80% with potential to increase to 100% in the future. . The remaining lignite units operated by PLTEP are expected to be replaced with gas-fired units ready to partially accommodate renewable gases.

Development of a waste-to-energy plant is also contemplated by United Energy, a.s. and Elektrárny Opatovice, a.s. with both projects being in a preparatory phase. United Energy, a.s. has a building permit and the company Elektrárny Opatovice, a.s. has a feasibility study and documentation for Environmental Impact Assessment. Negotiations were also held with representatives of respective towns and municipalities. At the same time, an open dialogue relating to both projects is maintained with all stakeholders. The timing of the realization depends primarily on the development of waste legislation which currently imposes ban on waste landfilling from 2030, making more waste available for energy recovery.

GAS INFRASTRUCTURE – ENERGY TRANSITION PLANS

Owing to its critical midstream and downstream gas infrastructure, the Group is uniquely positioned to be a front-runner in the accommodation of hydrogen across its entire gas value chain with several projects already launched to assess readiness of its infrastructure for large-scale transmission, storage, and distribution of hydrogen.

The Slovak gas transmission system operator eustream prepares its network for transporting renewable and low-carbon gases. The company plans adjustments that will make its network technologically ready for blending up to 5 percent of hydrogen into the transported natural gas, as early as at the end of 2023. With the current volumes of natural gas transmission, Slovakia will be soon technologically ready to transport theoretically more than 2 bcm of hydrogen per year and thus to accommodate expected gradual increase in hydrogen supply/demand. Eustream has also joined the international industry partnership for the production and supply of green hydrogen "H2EU+Store", whereby hydrogen from sun and wind is planned to be produced in Ukraine, transported via eustream's network to Austria and Germany and stored for seasonal demand in Central Europe in the future.

As eustream and other gas transmission operators in Europe take actions to accommodate hydrogen in their pipelines, it is essential for downstream network operators to assess and adapt their infrastructure as well. Based on own tests performed by SPP – distribúcia, a.s. and numerous studies and trials carried out abroad, SPPD believes that the distributed gas can contain up to 20% hydrogen without having to make major modifications to the existing gas grid components or consumers' appliances. The testing is currently performed in laboratory conditions, whereby a trial of the blended gas in an isolated part of the distribution network is planned for 2022.

NAFTA seeks to identify both an appropriate location for storing hydrogen mixed with natural gas and the maximum possible concentration that could be stored in a porous geological structure. In the first phase, its experts seek an appropriate location for storing hydrogen mixed with natural gas. Having identified an appropriate underground geological structure, laboratory research is subsequently carried out to define the maximum permitted concentration of hydrogen. A broad spectrum of parameters would be researched, such as possible geochemical and microbial reactions and changes in the rocks.

ENVIRONMENTAL PROTECTION ACROSS THE EPH GROUP

The EPH Group aims for a sustainable development in a comprehensive sense focusing on the continuous reduction of carbon footprint while providing for a security of supply and minimising impact on energy prices. Also, one of the principal objectives is to provide for an efficient transformation of energy resources while maintaining or creating jobs and supporting local economies. The following section summarizes several selected actions taken or planned to be taken by EPH subsidiaries in this important area.

Environmental and climate protection is one of the highest priorities of all NAFTA Group activities. NAFTA continued to take a responsible approach to the decommissioning of facilities after terminating our activities, by clean-ups, biological reclamation and by reincorporating them into the environment. NAFTA belongs to a number of international working groups and studies aimed at reducing methane emissions. In the previous year, NAFTA set specific emission reduction targets, implemented several fugitive emission measurements and prepared investment solutions to minimise them. Additionally, for the purpose of designing measures, we also provided information on measures and values of methane emissions in our operations. NAFTA's activities in the field of Power-to-Gas and renewable energy sources are an important declaration of our long-term commitment to the environment and climate protection.

NAFTA is a long-term part of communities in a number of regions of Slovakia. NAFTA actively builds and cultivates public relations, especially around their operations, building on open and transparent communication and explanation of their activities. Every year, NAFTA supports a number of projects aimed at developing the locations in which they operate. In 2021, NAFTA Group supported 74 projects that contributed to improving people's quality of life and to ensuring sustainable development of the region. The projects were mainly supported as part of two new initiatives – Green Regions and Interactive Learning, which accounted for a significant part of the supported community projects. NAFTA views community project support as an important part of its business activities. Therefore, NAFTA Group strives to ensure that communities benefit from our operations as much as possible, while also delivering lasting benefits for residents and the environment.

Important investment activities were undertaken in NAFTA Group operations, which they prioritised according to the measures in force at the time and the pandemic situation. In addition to technology modernization, NAFTA Group focused on increasing the safety and reliability of storage facilities and reequipped of our Main Mining Rescue Station. NAFTA operates in Germany underground storage facilities at Inzenham-West, Wolfersberg and Breitbrunn/Eggstätt, investments in chimney remediation continued at the Wolfersberg underground natural gas storage facility along with work on preparation of the integrated model of the Inzenham-West underground natural gas storage facility and the introduction of new document management software, M-files. New maintenance management software, INFOR EAM, was implemented at the German operations.

Eustream's business is inextricably linked to environmental protection and sustainability. Eustream continually invests in the streamlining of operations and state-of-the-art technology to protect the environment. Natural gas, a greener alternative to solid fuels, is already making a significant contribution to the reduction of greenhouse gas emissions and improving air quality. The developed gas infrastructure has an irreplaceable role in the future transformation to a low-carbon economy. In 2021 eustream, a.s. invested more than €24 million in projects focused on the transmission system development including mainly the Polish-Slovakian Gas Interconnection (expected to be commissioned in 2022).

Eustream continuous focus on the quality of its facilities allows it to comply with even stricter air protection legislation, including compliance with Commission Implementing Decision (EU) 2017/1442, which, pursuant to Directive 2010/75/ EU of the European Parliament and of the Council, establishes best available techniques (BAT) conclusions for large combustion plants. Eustream makes every effort to actively prevent the release of methane emissions, in particular by detailed monitoring, timely corrective maintenance and thorough pumping of natural gas during pipeline maintenance. Eustream is a member of the global Oil & Gas Methane Partnership 2.0 (OGMP).

The companies of the EPH Group have a municipal waste collection system established. Recycling, reuse of material, composting are preferred over landfilling, which greatly contributes to reducing the production of waste. Plzeňská teplárenská, a.s. operates a waste-to-energy facility ZEVO Plzeň, ecological source that can use a wide range of waste and convert it into energy. Heat energy occurring during the combustion process is subsequently used to supply heat to the territory of Pilsen city and for the production of electrical energy. Similar projects are in a planning phase across the EPH Group.

EPH Group enjoys a positive image in the market and significant level of political and public support resulting from the fact that several of its production facilities operate in a highly efficient combined cogeneration mode, whereby the otherwise wasted by-product of power generation, heat, is funnelled into a heating distribution network, thus capturing otherwise wasted energy, and delivered in the form of heat to our customers. This generation mode has much lower CO_2 emission intensity than a separate production of electric energy and heat. As a result, EPH saves energy, avoids network losses and improves the security of Europe's internal energy supply.

Our services are not limited to the supply of and distribution of basic energy commodities but we also aim to educate our customers on energy savings and responsible behaviour with respect to energy. These efforts are mainly visible at Stredoslovenská energetika, a.s. which offers services aimed at energy savings, such as LED lighting, highly efficient heating, heat pumps or solar panel installations. This is accompanied by an educational project for children in kindergartens and elementary schools, teaching them energy-saving practices through brochures, educational videos and games. At Elektrárny Opatovice, a.s. and Plzeňská teplárenská, a.s., customers are regularly informed about optimal temperature and efficiency. In 2020, Plzeňská teplárenská, a.s. launched a project focused on monitoring of energy consumption in selected kindergartens in the city of Pilsen with the goal to optimize their energy consumption and associated bills, the project continued in 2021 and is expected to spread to other public buildings.

Plzeňská teplárenská, a.s. throughout the year complied with the conditions set in integrated permits of individual company premises, which was confirmed by regular inspections by the Czech Environmental Inspectorate environment. Emission limits for pollutants into the air and water set by the integrated permits for the operation of the facility were fulfilled during the year. From August 2021, the integrated permits valid for both Plzeňská teplárenská, a.s. sites were amended, which included the conditions for the operation of the facility according to the EU Commission Decision 2017/1442 on the best available techniques, the so-called BAT for combustion plants. In 2021 Plzeňská teplárenská, a.s., a recertification audit of the implemented system took place environmental management according to ISO 14001,. The certification audit proved the ability of the set system to meet the requirements of products, services and the environment.

The ISO 14001 certificate holders are also Elektrárny Opatovice, eustream, a.s., SPP – distribúcia, a.s., Stredoslovenská distribučná, a.s., Stredoslovenská energetika, a.s.,

NAFTA a.m. or POZAGAS a.s. In the EPPE Group, the ISO 14001 is held by Biomasse Crotone S.p.A., Biomasse Italia S.p.A., EP Langage Limited, EP SHB Limited, EP Produzione S.p.A. (incl. its subsidiaries), Lynemouth Power Limited, Tynagh Energy Limited, Saale Energie GmbH, EP Power Minerals GmbH and MINERALplus GmbH.

The EPPE Group is an environmentally and socially responsible operator of its power plants. This is a result of an expansion of its fleet comprising renewable or low-emission sources and a gradual decommissioning of coal-fired power plants (e.g. Eggborough, Buschhaus, Provence 5, Mehrum and Deuben) or their converting into low-emission sources like was the case of coal-fired power plant Lynemouth which was converted into biomass-fired power plant in 2019. During 2021 we continued in our investment into Fiume Santo modernization, a hard coal power plant. This necessary investment will improve air emissions.

Thorough 2021, the EPPE Group further invested into modernization of its fleet which contributed to environmentally and socially responsible way of decarbonization, while keeping in mind security of energy supply in the regions where the EPPE Group operates. As a result, the EPPE Group saves energy, avoids network losses, and improves the security of Europe's internal energy supply while remaining environmentally and socially cautious.

To name few of many examples, in course of 2021, in France, Gazel Energie Group started activities supporting employees affected by coal closure resolution. The aim is to encourage these employees to undergo career re-focus training paid leave for several months, so they would be able to find another employment. Simultaneously, the Gazel Energie Group works on decommissioning of already closed sites (Provence 5 closed in April 2021 and Emile Huchet 6 is planned to be closed in 2022).

Also, during 2021 Gazel Energie Group was working on repowering our older windfarms in France.

The Group continues to invest into a new, environmentally more friendly, development. For example, with 10-year capacity contracts awarded to Kilroot, hard coal and oil power plant in the Northern Ireland, the Group will be installing a set of two highly efficient OCGT turbines with a combined installed capacity of about 700MW. Once operational in 2023, the old hard coal and oil power plant shall be decommissioned.

In Germany, EP New Energies (EPNE), the EPH group owned renewables developer, worked on several photovoltaic and wind projects:

- In 2021, almost 5 MW generation capacity was put into operation at the location of the former Zschornewitz power plant in Saxony-Anhalt, Germany. This project includes compensations in form of tree planting and fauna protection.

- GE Renewable Energy was selected to supply 50 wind turbines, each with 6 MW rated capacity. The wind turbines will be installed in several wind-onshore farms being developed by EPNE in Germany, among them the 100-MW-project Forst-Briesnig II in the Federal State of Brandenburg, owned by LEAG. The approval procedures for the projects will start as early as this year with the first construction to start in 2023.

- During 2021 EPNE worked on Germany's largest solar plant to date, a 400 MW solar plant in recultivated post-mining area of the Jänschwalde open pit mine. Commissioning is planned in upcoming years and annual generation corresponds to electricity consumption of about 114,000 households.

MIBRAG, which is active in Germany, is also undergoing gradual transformation. Firstly, at the end of 2021, Deuben power plant was closed down after 85 years of operation. Secondly, in connection with the gas motor-based combined heat and power plant (CHP) planned to be built at Profen Village, MIBRAG did several important steps in order to run a 32-meter-long dryer from 2022. It will use exhaust heat from the future gas motor-based CHP to dry chips of different natural wood qualities for use in various applications. The wood chips shall be co-burnt at Wählitz power plant to substitute part of the burned lignite. The gas motor-based CHP and wood dryer are one of the key elements of the MIBRAG's transformation project towards greener future.

Gazel Energie Group in France and EP UK Investments Group in the UK further evolved their business with secondary products (ashes). The various potential applications of ashes will have different GHG emission savings associated with them. To further strengthen its position in this area, EPH acquired STEAG Power Minerals (now EP Power Minerals) in 2021, a European leader in the provision of power plant by-products (especially fly ash and FGD gypsum) and expendable blasting abrasives, helping its clients to reduce carbon footprint. In particular, fly ash serves as a highly ecological and cost-effective substitute for clinker in cement production (up to 30 %). Fly ash significantly reduces the CO_2 footprint as the production of 1 metric ton of clinker generates about 0.8 metric tons of CO_2.

Water quality is also under constant attention in all EPH's assets. For example, a number of positive changes were achieved in EPH's Italian plants. In particular, in Livorno Ferraris plant both the biological system and the water purification process have been further improved. Now, the outgoing water purification process is optimized, minimizing its environmental impact. In the Scandale power plant, the project for the ultrafiltration of water was completed, optimizing the management of sludge production. In addition, the optimization of the water withdrawal designated for the plant cooling processes reduced the average consumption of water.

These water consumption optimization experiences have been subsequently re-used in Ostiglia and Tavazzano power plants where in 2021 demineralization plants have been completed.

In terms of local initiatives, there is a number of activities in which our companies are engaged. As a good example of co-operation between a company and local municipalities is a "We care" project, realized by our biomass plant Biomasse Italia:

- Based on previous cooperation, Biomasse Italia offered a new sponsorship to the Municipality of Strongoli to help it to complete the revamping works of Piazza Magna Grecia in Strongoli Marina.
- Biomasse Italia contributed in 2021 also to re-developing and to putting in place safety measures in the Torrent basin that creates significant problems to Strongoli's population, but also to the company during rainy periods.

- The most important contribution of the Company continues to be the royalties paid every year to the local municipality, based on the quantity of produced electricity.
- In EPH's logistics division, we achieved savings in production of GHG emissions as well as energy by further switching freight transport from motorways to railways at several projects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Throughout 2021, EPH continued to focus on its performance in the environmental, social and governance matters, acknowledging its responsibility for the environment, employees, communities, and all other stakeholders. Apart from other things, in September 2021 EPH has received a very pleasing ESG Risk Rating of 22 (medium risk) from Sustainalytics which placed EPH to 15th position from all companies in the multi-utilities sector. Also, in June 2021, EPIF has received a superb ESG Risk Rating of 20 from Sustainalytics. This score places EPIF to the low-risk category and 6th position out of 62 companies from the multi-utilities sector. On 8 September 2021, EPIF obtained a score of 66/100 in its second ESG Evaluation from S&P Global Ratings, representing an improvement compared to the inaugural rating of 65/100 received in April 2020.

Operating some of key infrastructure and power generation assets in Europe, EPH remains committed to contributing to energy security in the regions where it operates by providing reliable supplies of key commodities to end consumers. Safeguarding stable supplies of natural gas also plays a vital role in the energy transition in Europe as EPH views natural gas as a potential low-emission bridging fuel for base load power generation to complement intermittent renewable generation sources. Throughout 2020 and 2021, there have been no serious interruptions in supplies despite challenges posed by the COVID-19 pandemic.

ESG POLICIES

In March 2020, an initial set of new ESG policies was approved by the Board of Directors and gradually implemented across the EPIF Group entities. These policies reflect our consciousness of immense responsibility for ESG issues by EPIF and whole EPH. The policies aligned the already existing local principles with a common and comprehensive set of unified principles and detailed guidelines for our daily activities.

Currently active ESG EPH Group wide policies are:

- ESG Master Policy
- Environmental Policy
- Operational Policy
- Code of Conduct

- Procurement Policy
- Tax Governance Policy
- Anti-Corruption and Anti-Bribery Policy
- Anti-Financial Crime Policy
- Sanctions Policy
- Anti-Trust Law Policy
- KYC Directive
- Bio-Diversity Policy
- Policy on Reporting of Serious Concerns
- Asset Integrity Policy
- Equality, Diversity, and Inclusion Policy
- Cybersecurity Principles

To provide for and secure full transparency EPH and its key subsidiaries published the policies on their webs, so these are easily accessible to all stakeholders.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE ("HSE COMMITTEE")

Both key EPH pillars, i.e. EPIF and EPPE, have dedicated HSE Committees in place which are tasked with the following activities:

a) Provide the Board of Directors with a view on the adequacy and effectiveness of the Group safety, health, environment and security management systems and their application;

b) Review and provide guidance on safety, health, environment and security strategies, policies and initiatives of the Group;

c) Make recommendations to the Board of Directors and refer key safety, health, environment and security decisions to the Board of Directors for approval;

d) Monitor the safety, health, environment and security performance (including contractors) against regulatory standards and targets set by the Board of Directors;

e) Review all major incidents, focusing particularly on those arising from operational issues.

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The HSE Committees represent key bodies safeguarding that the EPPE and EPIF Groups act in line with the adopted ESG policies.

EMPLOYMENT RELATIONS AND EMPLOYEES

The main strengths and key focus of the EPH Group is good relationship with employees and their loyalty. The Group maintain good and fair relations with the trade unions within the entities of Group through regular meetings and discussions on labour, social and wage related issues. Similarly, respecting the human rights and implemented non-discriminatory guidelines are viewed as essential for securing employee-friendly working environment across the Group. Safety and quality management covers health protection at work, safety management system, technology, and human resources all of which are an integral part of the management of the Group.

EPH Group upholds internationally recognised principles of good labour practice as well as all principles of the United Nations Global Compact in respect of Human rights, labour, environment and anticorruption and encourages its business partners to endorse the same commitment as specified in detail in EPH Group Procurement policy.

The management believes that the Group, its companies and equipment comply with all legislative requirements and best practice methods. Moreover, they are constantly striving to improve the safety level of the Group´s activities by introducing measures focused on risk assessment, elimination, mitigation, and prevention. The Group also provides general training programs on employee safety and when selecting or assessing potential suppliers, the Group also considers their approach and attitude towards security issues.

EPH employees are interested in overall EPH economic performance. As internal stakeholders, they are engaged in business issues at the local level, being especially interested in the performance of the subsidiary they work for.

The average number of employees in EPH Group during 2021 was 10,564 (11,281 in 2020), of which 231 were executives (259 in 2020). Male employees covered for 81% of EPH employees, slightly lower share compared with 2020 (82%). The overall lower number of employees in the current year is mainly attributable to EPIF Group.

The average number of employees in EPIF Group during 2021 was 5,811 (6,428 in 2020), of which 122 were executives (130 in 2020). The decrease in employees is mainly attributable to disposal of Pražská teplárenská a.s. and Budapesti Erömü Zrt. in the last quarter of 2020.

The average number of employees in EPPE Group during 2021 was 4,077 (4,154 in 2020), of which 62 were executives (70 in 2020).

KPI	Unit	2021	2020	2021 - 2020	%
Headcount					
EPIF Group					
Czech Republic	#	1,459	1,889	(431)	(23%)
Slovakia	#	4,289	4,272	17	0%
Hungary	#	-	207	(207)	(100%)
Germany	#	61	58	3	5%
Netherlands	#	2	2	-	-%
Total – EPIF Group	**#**	**5,811**	**6,428**	**(617)**	**(10%)**
EPPE Group					
Czech Republic	#	124	108	16	15%
France	#	413	517	(104)	(20%)
Ireland	#	9	11	(2)	(18%)
Germany	#	2,403	2,389	14	1%
UK	#	528	539	(11)	(2%)
Switzerland	#	19	9	10	111%
Italy	#	581	581	0	0%
Total – EPPE Group	**#**	**4,077**	**4,154**	**(77)**	**(2%)**
EPH Other					
Czech Republic	#	470	407	63	15%
Poland	#	30	124	(94)	(76%)
Other	#	176	168	8	5%
Total – EPH Other	**#**	**676**	**699**	**(23)**	**(3%)**
Total – EPH Group	**#**	**10,564**	**11,281**	**(717)**	**(6%)**

KPI	Unit	2021	2020	2021 - 2020	%
Headcount					
EPIF Group					
Executives	#	122	130	(8)	(6%)
Other Employees	#	5,689	6,298	(609)	(10%)
Total – EPIF Group	**#**	**5,811**	**6,428**	**(617)**	**(10%)**
EPPE Group					
Executives	#	62	70	(8)	(11%)
Other Employees	#	4,015	4,084	(70)	(2%)
Total – EPPE Group	**#**	**4,077**	**4,154**	**(77)**	**(2%)**
EPH Other					
Executives	#	47	59	(12)	(20%)
Other Employees	#	629	640	(11)	(2%)
Total – EPH Other	**#**	**676**	**699**	**(23)**	**(3%)**
EPH Group					
Executives	#	231	259	(28)	(11%)
Other Employees	#	10,333	11,022	(690)	(6%)
Total – EPH Group	**#**	**10,564**	**11,281**	**(717)**	**(6%)**

CORRUPTION AND BREACHES

EPH maintains consistently high standards in ethics throughout its operations and supply chain and does not tolerate corruption at any level. Any breaches of this could result in major and serious reputational damage to the Group. In line with EPH Group KYC Directive compliance requirements are factored into all decisions when entering business relations with suppliers or business partners. While these principles were adhered to in the past, their importance is increasing in today's environment and as such, EPH has decided to formalise those into an overall policy applicable across the EPH, including all subsidiaries.

EPH always strives to operate all its facilities safely and in compliance with licensing regulations. The compliance with such systems is ensured with regular on-site checks. In addition, the Company regularly undertake analyses and evaluations of environmental issues to assess their relevance for its companies. The focus of our internal compliance management is to raise the level of awareness among its employees to prevent any possible breaches.

INTERNAL CONTROL SYSTEM

The Group has taken reasonable steps to establish and maintain adequate procedures, systems, and controls to enable it to comply with its legal, regulatory, and contractual obligations, including regarding financial reporting, which it periodically evaluates. To provide employees with the unified means of reporting compliance concerns and compliance violations without fear of retaliation or retribution and to set out the way in which any serious concerns that they have may be raised and how these concerns are dealt with, the EPH adopted a Policy on Reporting of Serious Concerns. Similarly, also all our business partners are encouraged to raise concerns about any issue relating to EPH or suspicion of violation of the EPH Group Policies at the earliest possible stage.

The Group does not have integrated information systems and each subsidiary has its own accounting platform and accounting methodologies. The subsidiaries prepare separate financial statements under the applicable local accounting standards for statutory purposes and part of the IFRS financial statements consolidation process is manual. Currently the Group is working on the implementation of a Groupwide reporting system which is aimed at limiting the amount of required manual intervention.

Each subsidiary has its own system of internal control that is designed to manage risk and diminish the occurrence of fraud at each entity based on the subsidiary's size and nature of its business.

FINANCIAL PERFORMANCE

EPH achieved impressive financial results in the year under the review. This positive development was driven by the EPPE Group. Results reflect positive market development on the revenue side as well as cautious approach towards expenses and risks.

REVENUES

Total revenues amounted to EUR 18,931 million (EUR 8,531 million in 2020).

External Revenues of EPIF Group reached EUR 2,519 million (EUR 3,143 million in 2020) showing material resilience to the pandemic impacts on back of the quality of assets being operated, most of which are regulated and/or contracted on a long-term basis. Majority of EPIF revenue is dependent on already pre-booked capacities, such as ship-or-pay contracts for the Gas Transmission Business, storeor- pay contracts for the Gas Storage Business, fixed tariff components for the Gas and Power Distribution Business and fixed heat price component for the Heat Infra Business. Gas transmission revenue decreased mainly by lower transit fees caused by extraordinarily low reverse gas flows from Slovakia to Ukraine. An increase in Gas and power distribution was driven primarily by higher revenues from gas market intermediation contracts and higher gas and power supply revenues. The drop in the Heat Infra segment sales was caused primarily by disposal of Pražská teplárenská a.s. and Budapesti Erömü Zrt. in the last quarter of 2020.

External Revenues of EPPE Group reached EUR 16,266 million (EUR 5,152 million in 2020). The increase is attributable to both segments. Generation and Mining segment increased by EUR 10,937 million, or 238%, mostly as effect of significant increase in commodity prices and as a result, the most significant effect was recorded by production entities in Italy, France and the UK and also by EPH Group trading companies especially EP Commodities a.s. Renewable Energy segment increased by EUR 117 million, or 21%, primarily due to indexation of Contract for Difference and better availability of Lynemouth biomass power plant operations and higher power prices of Italian biomass assets.

External Sales	Unit	2021	2020	2021 - 2020	%
EPIF Group					
Gas Transmission	million EUR	334	720	(386)	(54%)
Gas and Power Distribution	million EUR	1,755	1,678	77	5%
Gas Storage	million EUR	212	254	(42)	(17%)
Heat Infra	million EUR	208	481	(273)	(57%)
EPIF Other	million EUR	10	10	-	-%
Total EPIF Group	**million EUR**	**2,519**	**3,143**	**(624)**	**(20%)**
EPPE Group					
Generation and Mining	million EUR	15,539	4,602	10,937	238%
Renewable Energy	million EUR	667	550	117	21%
EPPE Other	million EUR	60	-	60	-
Total EPPE Group	**million EUR**	**16,266**	**5,152**	**11,114**	**216%**
EPH Other	**million EUR**	**144**	**234**	**(90)**	**(38%)**
Holding Entities	million EUR	2	2	-	-%
Total EPH Group	**million EUR**	**18,931**	**8,531**	**10,400**	**122%**

UNDERLYING EBITDA

Underlying EBITDA of EPH Group reached EUR 2,264 million (EUR 2,150 million in 2020). The presented Underlying EBITDA[6] is defined as profit from operations plus depreciation and amortisation and is further netted for eventual impact of negative goodwill. Apart from this, the Underlying EBITDA calculation does not include any further adjustments.

6 For reconciliation of Underlying EBITDA to closest IFRS measure refer to Note 5 of EPH's IFRS consolidated financial statements for 2021.

Underlying EBITDA of the EPIF Group amounted to EUR 1,290 million ((EUR 1,632 million in 2020). The 21% decrease in Underlying EBITDA is largely attributable to Gas Transmission segment due to lower transit fees caused by extraordinarily low reverse gas flows from Slovakia to Ukraine. Gas and Power Distribution segment decrease is primarily driven by lower System operation tariff ("SOT") payments received covering the purchase tariff for green energy, otherwise the segment reported strong results in 2021 driven by favourable weather patterns as well as higher household consumption of gas during COVID-19 induced lockdowns. Further, decrease in Gas Storage segment is driven by lower short-term storage prices, unfavourable market spreads and decrease in long-term volume and contracted prices. In addition, drop in Heat Infra segment is caused primarily by disposal of Pražská teplárenská a.s. and Budapesti Erömü Zrt. in the last quarter of 2020. This was partially offset by higher heat offtake in Spring 2021 due to cold weather.

Underlying EBITDA of the EPPE Group reached EUR 977 million (EUR 528 million in 2020). Generation and Mining segment increased by EUR 374 million, or 92%, mainly due to improvement of most of the assets due to higher market spreads across Europe and system tightness. Primarily the increase is driven by Italian assets (EP Produzione, Fiume Santo), UK assets (mainly EP Langage and EP Kilroot), German assets (Mehrum), French assets. Renewable Energy segment increased by EUR 69 million, or 56%, which relates mostly to Italian fleet of renewable power plants due to higher market spreads.

EBITDA	Unit	2021	2020	2021 - 2020	%
EPIF Group					
Gas Transmission	million EUR	479	678	(199)	(29%)
Gas and Power Distribution	million EUR	521	591	(70)	(12%)
Gas Storage	million EUR	180	218	(38)	(17%)
Heat Infra	million EUR	105	141	(36)	(26%)
EPIF Other	million EUR	5	4	1	25%
Total EPIF Group	**million EUR**	**1,290**	**1,632**	**(342)**	**(21%)**
EPPE Group					
Generation and Mining	million EUR	779	405	374	92%
Renewable Energy	million EUR	192	123	69	56%
EPPE Other	million EUR	6	-	6	-%
Total EPPE Group	**million EUR**	**977**	**528**	**449**	**85%**
EPH Other	**million EUR**	**35**	**26**	**9**	**35%**
Holding Entities	million EUR	(38)	(38)	-	-%
Inter-segment eliminations	million EUR	-	2	(2)	(100%)
Total EPH Group	**million EUR**	**2,264**	**2,150**	**114**	**5%**

CAPEX

CAPEX of EPH Group reached EUR 441 million (EUR 404 million in 2020). The presented CAPEX is defined as additions to tangible and intangible assets and advances paid for tangible assets excluding any potential impact of expenses for emissions rights, which might be categorized as CAPEX under the IFRS rules, and right-of-use assets and goodwill.

CAPEX of EPIF Group reached EUR 151 million (EUR 207 million in 2020). In 2021, EPIF continued its effort to increase production efficiency, reduce environmental impact of its operations and enhance reliability of its services. A major part of CAPEX consisted of commencing works on a strategic project of the Slovak-Polish Interconnector, which is on a list of critical EU infrastructural projects and is supported by the EU. The commissioning of the route is planned in the first half of 2022 and will provide access to Polish LNG. A drop in Heat Infra segment is caused primarily by disposal of Pražská teplárenská a.s. and Budapesti Erömü Zrt. in the last quarter of 2020.

CAPEX of EPPE Group reached EUR 286 million (EUR 168 million in 2020). The 70% increase in CAPEX is mainly driven by an increase in Generation and Mining segment where major part represents investments in development projects, namely Kilroot OCGT in Northern Ireland and Tavazzano CCGT in Italy. This is partly offset by not repeated large overhauls of power plants in Italy and the UK from 2020.

CAPEX	Unit	2021	2020	2021 - 2020	%
EPIF Group					
Gas Transmission	million EUR	25	40	(15)	(38%)
Gas and Power Distribution	million EUR	83	84	(1)	(1%)
Gas Storage	million EUR	9	9	-	-%
Heat Infra	million EUR	34	74	(40)	(54%)
EPIF Other	million EUR	-	-	-	-%
Total EPIF Group	**million EUR**	**151**	**207**	**(56)**	**(27%)**
EPPE Group					
Generation and Mining	million EUR	271	162	109	67%
Renewable Energy	million EUR	7	6	1	17%
EPPE Other	million EUR	8	-	8	-%
Total EPPE Group	**million EUR**	**286**	**168**	**118**	**70%**
EPH Other	**million EUR**	**4**	**29**	**(25)**	**(86%)**
Holding Entities	million EUR	-	-	-	-%
Inter-segment eliminations	million EUR	-	-	-	-%
Total EPH Group	**million EUR**	**441**	**404**	**37**	**9%**

NET FINANCIAL DEBT, LEVERAGE AND CASH CONVERSION

Net financial debt stood at EUR 4,611 million at the end of the year under review (EUR 4,361 million in 2020). The presented figure is calculated summing up Loans and borrowings together with Issued bills of exchange (presented as part of Financial instruments and financial liabilities), netted for Cash and cash equivalents.

The increase of the net financial debt was driven by an increase in revolving credit facilities due to liquidity needs caused by a significant volatility on the market in the last quarter of 2021.

Net Leverage remained stable at 2.0x (2.0x in 2020) which is exceptionally low level.

Net financial debt and Leverage	Unit	2021	2020	2021 - 2020	%
Loans and borrowings	million EUR	7,066	6,004	1,062	18%
Issued bills of exchange	million EUR	42	110	(68)	(62%)
Cash and cash equivalents	million EUR	2,497	1,753	744	42%
Net financial debt	**million EUR**	**4,611**	**4,361**	**250**	**6%**
Underlying EBITDA	million EUR	2,264	2,150	114	5%
Net Leverage	**x**	**2.0**	**2.0**	**0.0**	**-**

Cash conversion was 62.15% (60.84% in 2020). Increase of the cash conversion in 2021 was primarily caused by improved performance, supplemented by lower payment of taxes during 2021 and lower capital expenditures. The high ratio of Underlying EBITDA conversion to cash flows further reinforces very good positioning of EPH Group in terms of leverage within the industry peer group.

Cash conversion	Unit	2021	2020	2021 - 2020	%
Underlying EBITDA	million EUR	2,264	2,150	114	5%
CAPEX	million EUR	(441)	(404)	37	9%
Tax paid	million EUR	(416)	(438)	22	5%
Cash conversion	**%**	**62.15%**	**60.54%**	**1.31%**	**-**

1.3 Other Information

DESCRIPTION OF THE DIVERSITY POLICY APPLIED TO THE STATUTORY BODY, SUPERVISORY BODY OR OTHER SIMILAR BODY

The Company is committed to encouraging equality, diversity, and inclusion among its workforce, and eliminating unlawful discrimination, in line with the ILO Convention No. 111 on discrimination. The aim is for our employees to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best. We strive to ensure that our employees feel supported and comfortable at work as we recognise that our staff are our greatest asset. We aim to attract and retain people with diverse skills, experience, and background to deliver high-quality products and services. These commitments are articulated by the Group Equality, Diversity and Inclusion policy and apply in full to the process of selecting suitable candidates for the position of the member of Company's statutory and supervisory body.

RIGHTS AND OBLIGATIONS ASSOCIATED WITH SHARES

Act No. 90/2012 Coll., Commercial Companies, as amended, and the Company's Articles of Association govern the rights and obligations associated with the Company's shares. The current version of Articles of Association is placed into the collection of documents of the Commercial Register maintained by the Municipal Court in Prague.

LEI CODE

The company Energetický a průmyslový holding, a.s. was registered with LEI (Legal Entity Identifier) code No. 31570010000000090208 CDCP (Centrální depozitář cenných papírů). LEI code of other companies within the EPH Group can be found on https://search.gleif.org/#/search/.

BRANCHES

The EPH Group has the following organizational units abroad:

- AISE, s.r.o., organizačná zložka located in Slovakia;
- NAFTA a.s. – organizační složka located in the Czech Republic;
- EP ENERGY TRADING, a.s. – organizačná zložka located in Slovakia;

- Slovenské elektrárne, a.s. – organizační složka located in the Czech Republic;
- ÚJV Řež a.s. – organizačná zložka Slovensko located in Slovakia;
- LokoTrain s.r.o. – organizačná zložka located in Slovakia;
- LokoTrain s.r.o. oddzial w Polsce located in Poland; and
- Spedica, s.r.o., organizačná zložka Slovensko located in Slovakia.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2021, the EPH Group did not carry out any significant research and development activities and as a result did not incur any material research and development costs.

ACQUISITION OF OWN SHARES OR OWN OWNERSHIP INTERESTS

During the 2021, EPH Group did not acquire any own shares or ownership interests within the Group.

RISKS AND RISK MANAGEMENT POLICIES

The EPH Group is exposed to a variety of financial and market risks. The risk management policies are set out in the notes to the consolidated financial statements.

SUSTAINABILITY REPORT

In August 2021, EPH issued its third Sustainability report covering year 2020. EPH plans to issue its Sustainability report for 2021 during Q2 2022. The Sustainability report is expected to cover a wide spectrum of economic, environmental, social and governance related topics and will enable report users to obtain a comprehensive understanding of the EPH Group's business and the links between EPH's strategy and commitment to a sustainable global economy.

OUTLOOK FOR 2022

Even though this Annual Report is issued at difficult times in the light of the current war in Ukraine and continued coronavirus pandemic where both events have been posing great challenges for many aspects of our society including business matters of the EPH Group, the Group management plans to continue developing its central business activities both in the EPPE and EPIF Groups. The main objectives remain the same: guaranteeing the health, safety and well-being of the Group's employees, which remains the Group's top priority, and safeguarding the continuity of the essential energy security service in the countries where the Group operates.

Despite potential temporary short-term operational limitations, EPH Group believes its medium- to long-term market position stays resilient, primarily as i) the Group operates the critical infrastructure in gas and power distribution, gas transportation and storage and power generation, and ii) major operated assets are regulated or semi-regulated and/or long-term contracted with high quality counterparties. At the same time, EPH Group maintains robust counterparty and liquidity risk management system which underpins EPH Group's financial stability.

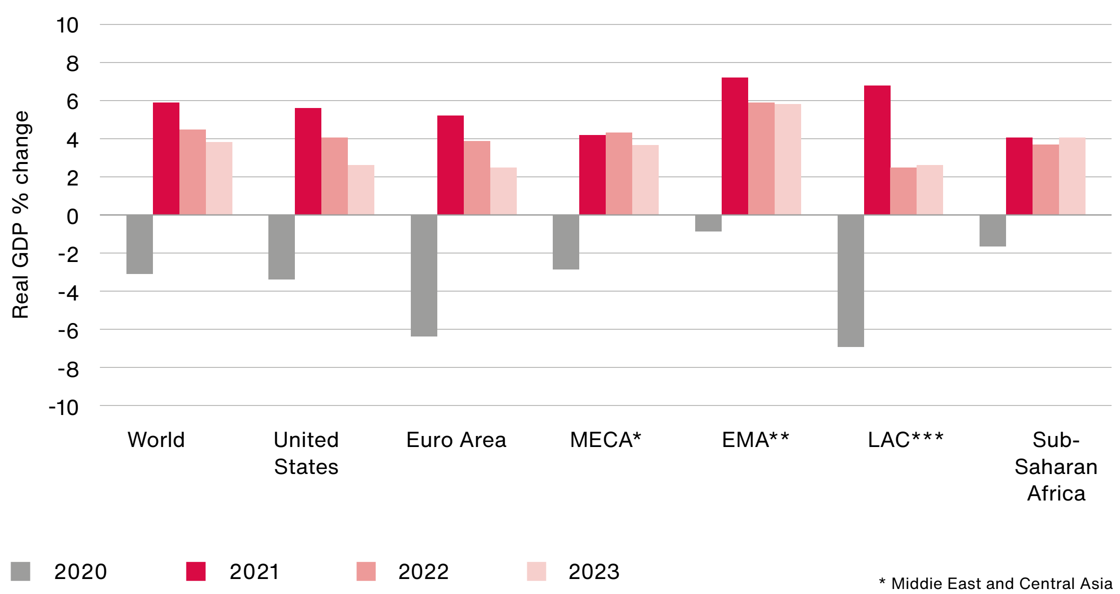
1.4 Market development

MACROECONOMIC DEVELOPMENTS

The global economy ended 2021 with arguably the highest uncertainty levels since the beginning of the pandemic. The recovery continues despite the new COVID-19 variants, however the risks associated with new measures against the virus, supply disruptions, high energy prices, inflation and interest rates pose as pressing economic threats.

According to the January 2022 IMF estimates, global growth is expected to moderate from a 5.9 % real GDP increase in 2021 to 4.4 % in 2022, which is half a percentage point lower for 2022 than in their previous October World Economic Outlook. The 2021 growth, however, must be put in context with the profound decline of activity in 2020 and a return to a relative normality that bounces GDP at levels close to pre-pandemic times, displaying high growth values relative to 2020. Therefore, countries with a steep GDP decline in 2020 will generally show a strong recovery in 2021; this could be the case of the United Kingdom, with a sharp GDP decline of 9.4% in 2020 that rebounds to a 7.2% increase in 2021.

Growth projections per region



* Middle East and Central Asia
** Emerging and Developing Asia
*** Latin America and the Caribbean

Figure 1: IMF world economic outlook from January 2022.

Source: IMF, World Economic Outlook Update, January 2022

Supply disruptions continue to be a major concern for the global economy. Global trade was strongly agitated since the beginning of the pandemic due to the measures taken by governments to fight the virus, and the ulterior faster-than-expected activity recovery, along with the consumer shift from services to physical goods and others, created bottlenecks in several sectors -semiconductors, polyethylene, transport, warehousing- that translated into higher costs for consumers and shortages of some goods.

Simultaneously, most global commodity sectors' prices rose during 2021. According to the S&P Goldman Sachs Commodity Index (GSCI), Agriculture, livestock, industrial metals, and other sectors gained about 20–30% in that period, while energy prices increased even further, by 59%. In Europe, several factors contributed to the escalation in the energy sector, such as weather conditions, an unexpected surge in demand after the restrictions imposed to fight the pandemic were loosened along with a reduction of supply of gas in the global market.

The combination of supply bottlenecks, a shift on consumption patterns, an increase of commodity prices etc. led to high inflation in the advanced economies since mid-2021. Global consumer price inflation reached 5.2 % year-on-year in December 2021, the highest rate since September 2008 – excluding Venezuela and Zimbabwe from all aggregates due to their distorting hyperinflation. Labour shortages seem to be also contributing to the prices increase, with labour force participation still below pre-pandemic levels in the United States, migrant labour flows disrupted in Europe, and demographic shifts restricting labour supply in mainland China.

Despite headline inflation has increased in both the Euro area and the United States, the surge in core inflation, which excludes volatile products from the measurement such as energy and food, has been more pronounced in the US. This difference, along with the mentioned consumer shift from services to physical goods makes it harder to accurately estimate the overall price changes, increases the difficulty on foreseeing the actions that the FED and the ECB will take during 2022. On the one hand, by late 2021, the FED had already made clear they wanted to double the rate of the tapering, the reduction of US Treasury securities purchases, which would also point at a likely increase the interest rates in the US as Powell had commented on several occasions as a likely possibility. On the other hand, the ECB showed greater resistance to increase rates by December due to the lower core inflation in the Euro area, which does not mean these actions will not be finally taken, especially considering that European countries outside of the euro area like the Czech Republic have begun increasing rates in late 2021.

The 2022 economic outlook seems even more uncertain after factoring the early-year geopolitical events, with the Russian invasion of Ukraine. Global supply chains will only face further challenges, with energy prices escalating to record levels, and will contribute to further escalation in prices. According to flash estimates, the Euro area began January with a 5.1% annual inflation, while the US reached a 7.5% equivalent rate. This creates further pressure on central banks since a rise in interest rates may act as a strong hit in financial markets and perhaps will not be enough to reduce the growing inflation rates.

ENERGY MARKET DEVELOPMENTS

POWER CONSUMPTION

After the global electricity demand drop in 2020 due to the halt on activity following government restrictions to fight the pandemic, global electricity demand grew by 6% in 2021 according to IEA. It was the largest ever annual increase in absolute terms (over 1,500 TWh) and the largest percentage rise since 2010 when the world was recovering from the global financial crisis. Part of the boost is a direct consequence of the recovery of the industrial sector, while a colder-than-average winter also served as a powerful demand boost. This quick increase in demand overcame the ability of electricity suppliers at times, and shortages of natural gas and coal led to volatile prices, particularly in Europe, China, and India.

Changes in power demand relative to 2019

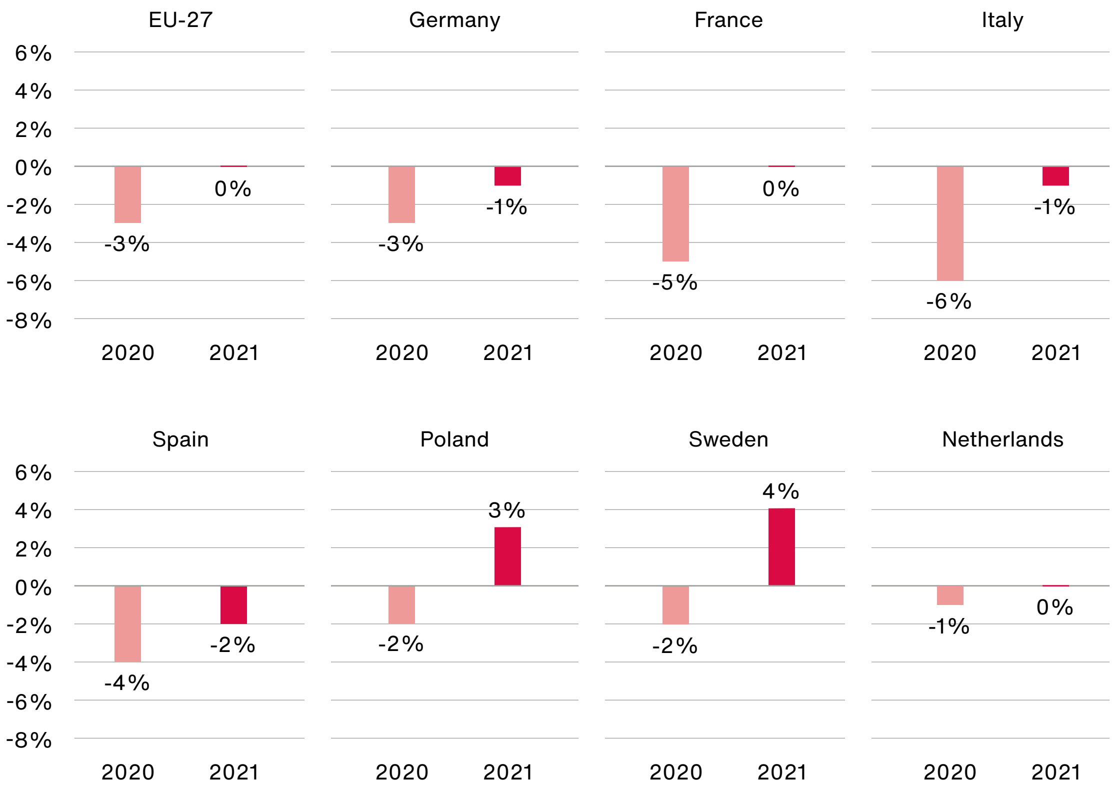


Figure 2: European electricity demand changes, Ember European Electricity Review 2022.

Source: Ember European Electricity Review 2022

Combined Review of Operations

The situation in Europe reflects a full recovery of electricity demand relative to pre-pandemic levels. The EU-27 power demand fell by about 3% between 2019 and 2021, however this decrease had been fully reverted by 2021. While countries strongly hit by the virus, like Italy or Spain, were not able to recover the electricity demand (-1% and -2% fall from 2019 to 2021 respectively), others like Poland or Sweden were even able to demand more power (3% and 4% growth from 2019 to 2021) and were able to average to zero the net demand in EU-27 relative to pre-pandemic levels.

POWER PRODUCTION

2021 had a 4.2% increase in fossil fuel generation due to the 3% electricity demand growth. Even after considering the general downward trend, fossil generation still accounts for about 37% of the power production in EU-27, with nearly half of it being gas, and most of the remaining generation hard coal or brown coal (lignite).

Despite 2021 began with relatively similar power production costs for each of the main fossil fuels, the rapid increase of prices since the middle of the year, particularly in gas, shifted the profitability of electricity generation in favour of coal and lignite, the most carbon dioxide emitting sources. Not even the growing carbon allowances prices, which impact coal and lignite more than gas, were able to offset this effect. This situation led to a replacement of fossil gas power production with coal-based production during the second half of 2021 in an amount equivalent to, approximately, 5% of total coal power generation in 2021.

Power production per source type in EU-27

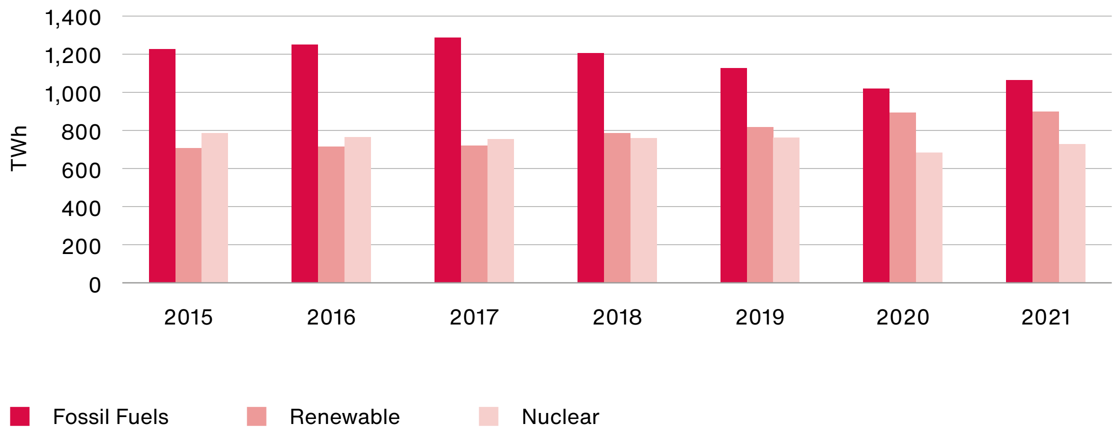


Figure 3: EU power production per source type, Ember European Electricity Review 2022.

Source: Ember European Electricity Review 2022

Power production per source type in EU-27

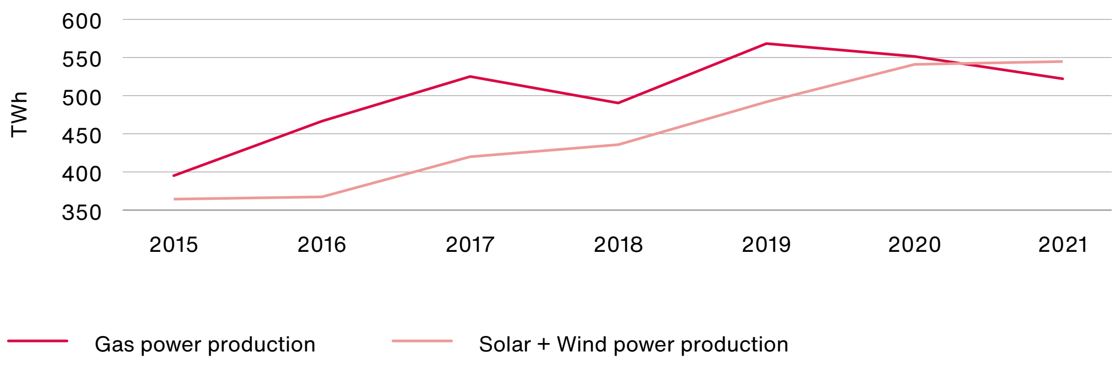


Figure 4: Gas, solar and wind power production in EU, Ember European Electricity Review 2022.

Source: Ember European Electricity Review 2022

Renewable installed capacity continues to grow fast in the EU-27 countries, with 2021 having a combined solar and wind growth of 10.8% or 34 GW. Solar capacity had one of its greatest absolute increases in its history, with an extra 19 GW – similar to the previous year – that amounts to 158 GW and account for a 13.7% year-on-year increase. Similarly, wind capacity growth set a new absolute record in 2021 in the EU-27, with 15 GW added to the installed capacity, that now represents 192 GW, a relevant increase of 8.5% year-on-year.

Renewable power production in Europe continued to grow with 1% year-on-year. Most of the increase comes from solar and wind output, which combined were able to produce in 2021 more electricity than gas-based generation, severely punished due to high prices.

POWER PRICES

Wholesale electricity prices reached all-time highs in European markets during the second half of 2021, with the month of December averaging over 200 EUR/MWh in countries like Germany, France, Czech Republic, Slovakia, or Austria. While high gas prices are considered the main reason of this spike, other reasons supporting the increase were rise in coal and carbon allowances prices, low nuclear output in France and renewable generation that averaged at roughly the same levels as the previous year despite the new installed capacity.

As of early 2022, the futures market indicates that the high prices would remain for at least a few years, with all 2022 and 2023 remaining well above 100 EUR/MWh in central Europe, but also in the United Kingdom.

Power prices have gained great support after the new records in gas prices following the invasion of Ukraine, with the German and French month-ahead trading well above 400 EUR/MWh as of early March 2022. The initial sanctions on the Russian economy were designed to avoid disrupting essential energy exports, however prices continue to escalate to record levels and it is nearly impossible to predict the paths energy prices will take during 2022.

GAS CONSUMPTION

European natural gas demand in 2021 was almost on par with 2020, 5% down compared to pre-covid 2019. Consumption in the first half of 2021 was significantly boosted owing to the cold weather, unlike in the year prior when the demand was destructed by the first wave of coronavirus restrictions. Temperatures stayed below normal for much of February until May, increasing especially the residential gas demand so that in some periods total consumption even breached the historical highs. On the other hand, Q3 and Q4 saw demand hovering around the 5-year minimum and below 2020. Surge in the gas spot prices during summer reduced the gas-for-power offtake in favour of more profitable lignite and hard coal. Mild weather during much of the summer propagating to Q4 also contributed to the subdued consumption.

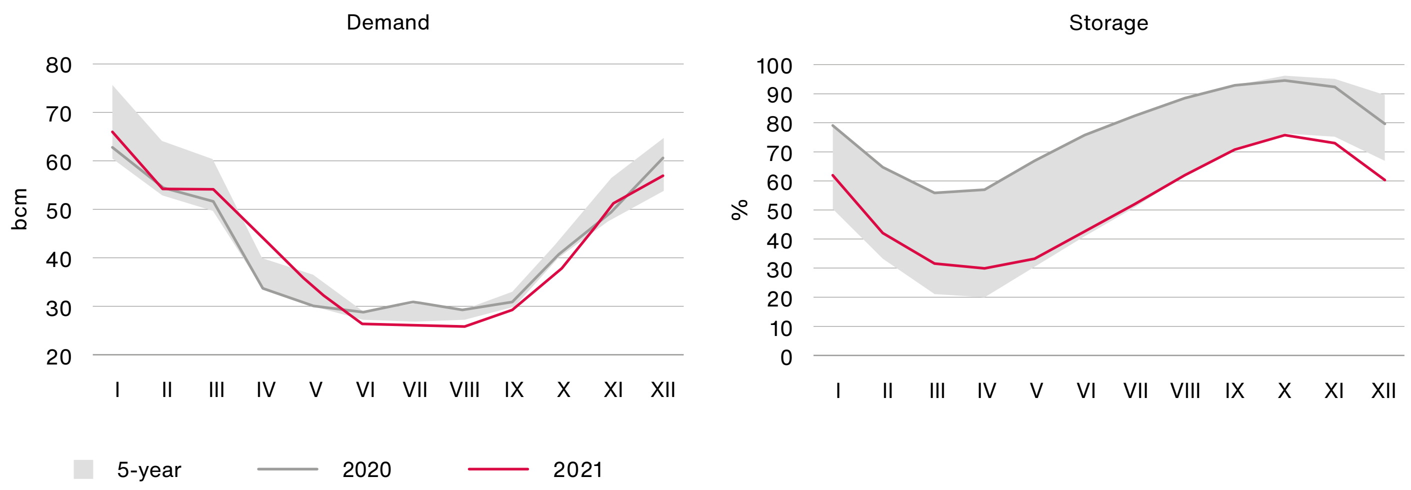


Figure 5: European gas consumption (left) and storage levels (right).

Source: Bloomberg, www.agsi.gie.eu, internal calculation

GAS SUPPLY

Norwegian imports increased by 5% year-on-year in 2021. Heavy annual maintenance schedule coupled with unplanned outages restricted the deliveries until July. Flows rebounded to historical maximum afterwards and remained there ever since, supported strongly by rallying gas prices.

Russian pipeline deliveries to Europe were the lowest on record in 2021, dropping by 7% compared to 2020. The decrease was initially due to lower flows via Ukraine-Slovakia border point Velke Kapusany. In August, a fire at the condensate plant at Urengoy, feeding the Yamal pipeline, severed flows also through the Mallnow point at the German-Polish border to a quarter of the normal capacity. Although slowly recovering afterwards, Yamal flows fell significantly again in October only to be completely terminated in late December, operating only in reverse flow from Germany to Poland. Nord Stream remained the only of the three main Russian pipeline routes not to be affected, with 2021 flows comparable to the previous year.

North African pipeline imports were the highest since 2018, recovering by 50% after record-low 2020.

European domestic gas production decreased by 9% on year in 2021, setting a new record low. Most of the decrease was due to the lowering quota on gas production from the largest Dutch field Groningen which is planned to further decrease by more than 50% in the gas year 2021/2022 and the field will be effectively closed in mid-2022.

LNG imports into Europe were 5% lower year-on-year in 2021 and the lowest in 3 years. The number of arrived cargoes was exceptionally low in the first two months of the year when many were drawn away by soaring Asian demand amid extreme winter conditions. With easing Asian demand, LNG influx to Europe recovered and reached all-time monthly maximum of 10.6 bcm in March. However, summer imports dropped again due to diversion of cargoes to Pacific basin amid combination of maintenance on Australian export terminals and above normal temperatures lifting up strongly the power consumption, with e.g. Chinese LNG imports up by 28% on year in July. Rising European prices on the verge of gas winter with low storage levels translated into premium of the European LNG netback over the Asian route for winter months. This provided an incentive for the gradual increase of LNG cargoes destined for Europe, with volumes delivered in Q4 being 30% higher than in 2020.

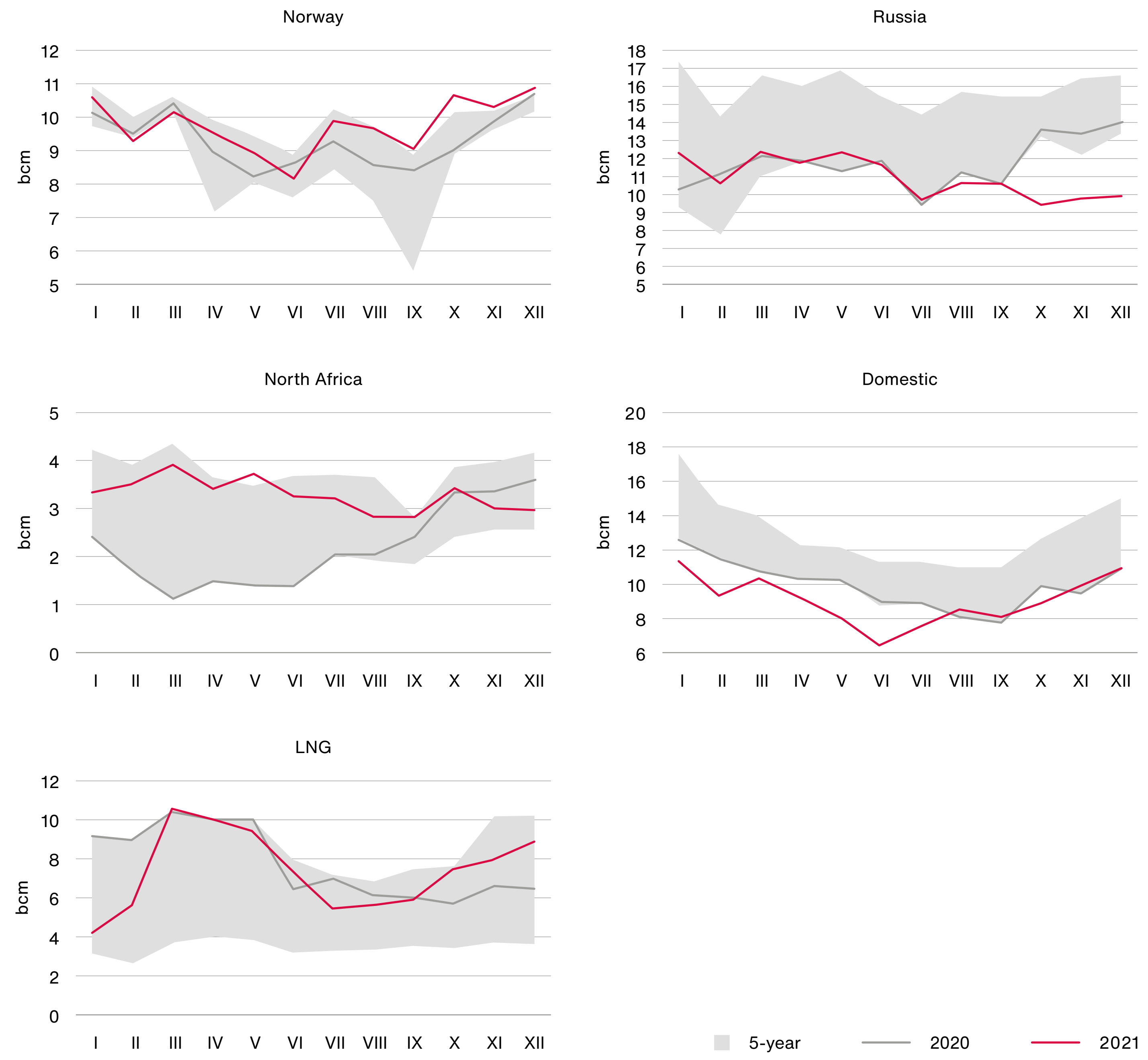


Figure 6: European gas supply routes.

GAS STORAGE

European gas storage inventories were significantly depleted in February due to high demand during a cold snap which was not covered by underperforming pipeline deliveries and very weak LNG imports. With the end of gas winter, storages have turned to net injection mode for a short period. However, despite increasing numbers of LNG cargoes, tight gas balance due to return of cold weather prompted an unprecedentedly prolonged withdrawal season which lasted until mid-April, leaving the storages filled only to 29% of total capacity, the lowest since 2018. Stressed supply-demand conditions continued to hamper refilling of storages, with the injections in May proceeding at slowest pace in 10 years.

Although improving afterwards, the balance remained tight for much of the year, illustrated, for example, by brief net withdrawals in UK during summer amid shortage of LNG driving the spot prices above winter contracts. Mild weather and favourable spreads between spot and winter months have supported injections also throughout October, helping to restock storages to 78% of their capacity before the start of the withdrawal season, the lowest level in 8 years. Inventories finished the year at only 53%, drawing a bleak picture for Q1'22 on fears of insufficient gas supply, although some relief came at the turn of the year with exceptionally warm weather supporting net injections.

LNG

Global LNG trade expanded by 6% in 2021, compared to 1% growth in 2020. The rise in imports was most significant in Asia due to cold weather and strong economic recovery, with China leading the growth by increasing its imports by 17% on year. Chinese LNG demand surpassed Japan as the world's biggest importer as the country saw almost the same number of cargoes as in 2020. South Korea also recorded highest imports on record, rising by 14% on year. The three main exporters to Asia were Australia (34%), Qatar (16%) and US (12%). While the first two exhibited slight yearly decrease in their shares, US surpassed Russia and Malaysia and expanded its share by 4%.

European imports decreased by 5% due to strong competition with Asian markets experiencing strong demand. US became the main exporter with 28% share, rising by 5%, while Qatar's exports to Europe decreased to 24% (down by 3%). Russia remained the third largest exporter (18%) with only minor change on year. Unlike the first three quarters, strong European inflows in Q4 accelerated the global LNG growth. On the other hand, Asian imports in Q4 were unchanged due to surging spot price and greater than usual inventory build-up in Northeast Asia before winter.

Central and South America also consumed more LNG with yearly imports being 69% mainly thanks to extreme drought in Brazil. North America recorded the biggest growth of total exports with a 51% increase year on year, while Australia's volumes grew slightly by 3% and Qatar and Russia maintained their previous levels.

GAS PRICES

A significant bullish driver of 2021 was unseasonably cold weather during first five months coupled with weak supply. LNG imports were severely constrained, especially, due to a sharp rise in Asian markets experiencing extreme cold which culminated in a price spike in mid-January. With the tension in Asian markets relieving, abundance of LNG bound for Europe helped to pressure down the prices temporarily. However, prices rebounded strongly during late March as the Suez Canal became blocked by a container ship which ran aground and hassled LNG traffic. The return of below normal temperatures in April and tighter pipeline supply prompted further gas withdrawals from already heavily depleted storages, resulting in the lowest inventories at the beginning of summer in years. Strong demand for reinjection to secure supply for next winter set off a price rally which, aside of occasional short-lived downturns, continued without break ever since. Spot delivery during 2021 defied the seasonality observed historically in European gas prices, with every monthly settlement since March being higher than the previous one even during summer.

Already stressed market conditions were further exacerbated by weak supply. Record low Russian imports and behaviour of the biggest European importer were having a particular impact on gas prices during much of 2021. Since May, no additional interruptible capacity was booked through Velke Kapusany at Ukraine-Slovakia border on any of the monthly auctions, sending a bullish signal into the market every time. Moreover, no additional annual capacity was booked neither via Ukraine, Turk Stream or Yamal pipelines. The absence of any bookings via the Ukraine route was deemed as a sign of push for rerouting transits via the prepared Nord Stream 2 (NS2) pipeline which was considered close to commencing flows. Rumours of NS2 delivering first gas by the end of 2021 pressured Q1'22 prices which was reflected, for example, in the TTF Q1'22 vs Q4'21 spread being negative since July while also highlighting growing concerns about the extension of the storage injection season. This setting resulted also in the collapse of the spread between TTF Winter and spot, with spot trading even above winter for several weeks during summer. Unexpected technical outage of the Yamal pipeline flows in August further fuelled the price surge.

At the beginning of Q4, European gas prices hit record highs with extreme volatility. Strong price swings were driven by a combination of tight gas balance, sharp drop in nominations through Yamal, news of Nord Stream 2 delays, low storage levels, almost absent wind generation and rising Asian gas prices. Markets surged rapidly with intraday volatility well outside traditional bounds, with TTF front month intraday high above 162 EUR/MWh and daily settlement at 116 EUR/MWh on October 5. Forecasts of below normal temperatures in northwest Europe and comments about strong Russian domestic demand, possibly preventing re-filling of storages in western Europe, further supported the upward sentiment. This led to a short squeeze that prompted margin calls which added to the momentum of the price spike. A correction came after President Putin declared a boost in Russian supplies to Europe and TTF front month stabilized in the 80–90 EUR/MWh range.

After a period of relatively sideways price development, markets spiked once again to all-time highs on December 21 with TTF front month reaching 180 EUR/MWh when Europe faced its first winter cold spell while Yamal flows via Mallnow to Germany completely halted at the same time.

Another bullish factor were the fears of impeding military conflict due to mounting tensions in the Russia-Ukraine relationships, possibly affecting security of supply via one of the main pipeline routes. Prices moderated since then but remained highly volatile, the bearish force arising from calmer Christmas season and significantly warmer temperatures at the end of the year.

All in all, TTF spot reached a record annual average of 45.9 EUR/MWh in 2021, almost five times more year on year. Prices exhibited also all-time highest volatility which averaged over 85% in TTF monthahead during the whole year, more than the double the ten-year average. The volatility was exceptionally pronounced in the second half of the year, reaching almost 200% in December. Asian prices followed a similar pattern, displaying strong correlation of 0.93 with European prices for the second-month prices. Historically, TTF and JKM benchmarks followed a similar trend, but plentiful pipeline supply and healthy storage levels prevented TTF from spiking as much as JKM. However, the reluctance of pipeline suppliers to deliver more gas in 2021 caused the European marginal gas price to be set by the global LNG arbitrage, driving the prices higher in a tight competition between Europe and Asia. In the United States, Henry Hub prices averaged over 11 EUR/MWh, the highest since 2014 and double from 2020, due to consumption and export flows growing faster than domestic production. Although increasing,

Natural gas prices 2021

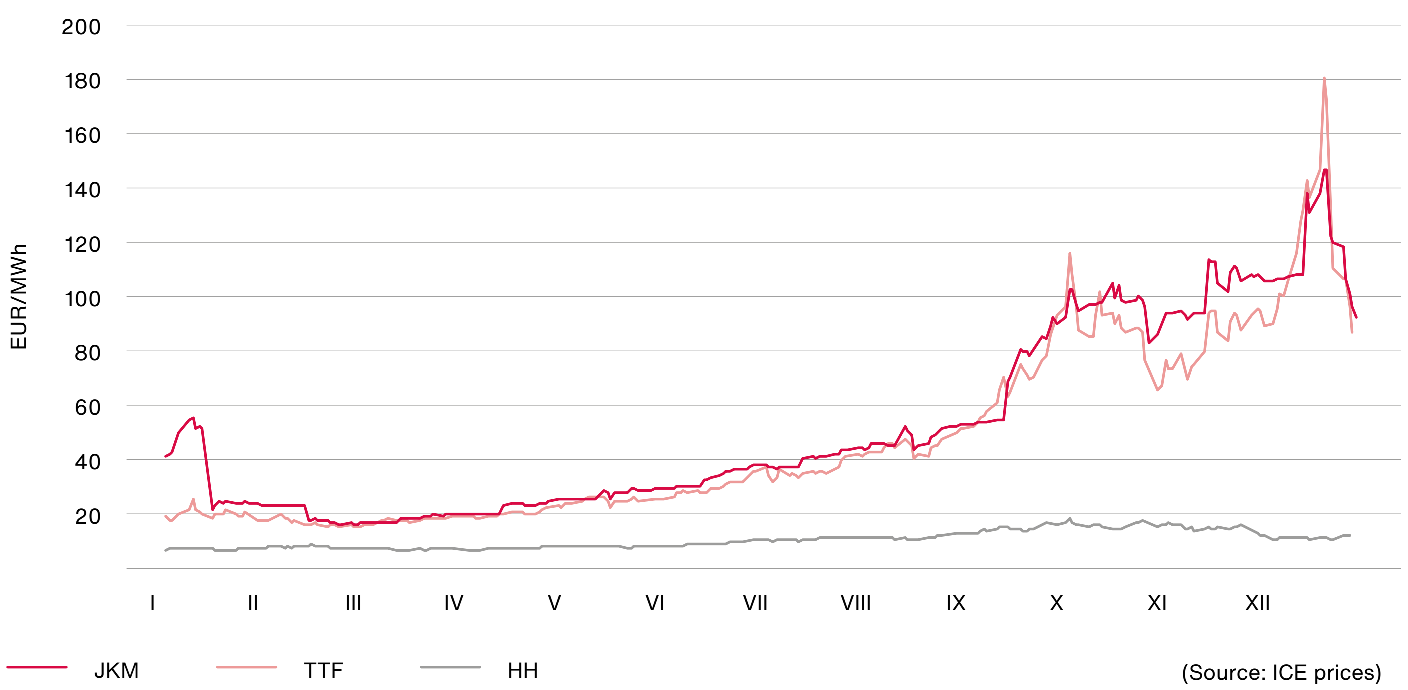


Figure 7: Two-month-ahead prices of global gas benchmarks.

US prices followed a calmer pattern than TTF and JKM thanks to lower price environment with limited exposure to imports.

As of March 2022, European gas prices have skyrocketed again after the German halt of NS2 certification and Russian invasion of Ukraine. TTF front month contract reached new record levels with intraday trading above 210 EUR/MWh. The market turmoil has resulted in a strong backwardation, illustrated by TTF Summer’22 vs Winter’22 spread reaching above 60 EUR/MWh. The overwhelmingly bullish sentiment was fuelled by fears of security of gas supply on both the risk of transport disruptions via the war zone and the impact of Western sanctions on Russian energy exports. The price surge was not constrained even though physical deliveries actually increased both via Velke Kapusany and Nord Stream and even revived occasionally via Mallnow. The increase in imports into EU has been probably led by buyers with some flexibility under long-term contracts indexed with a time lag to lower average gas price from previous month. Support has been provided also by the diversion of Russian LNG cargoes due to a ban on Russian ships entering European ports and Russian attack on Ukrainian nuclear power plant which endangered safety of the entire continent.

NORD STREAM 2

The Nord Stream 2 (NS2) pipeline is intended to double Russia’s direct export capacity of natural gas to Germany to 110 bcm/year. The project has been long opposed by Poland, Ukraine, and the US on grounds of it being a threat to the security and diversity of supply to the European Union (EU). Initially scheduled for completion in 2019, the pipeline was delayed by US sanctions in late 2019 forcing key pipelaying vessels to halt their operations. Delays continued beyond 2020 amid new sanctions and mounting pressure on German government to reconsider its support for the project.

In January 2021, US president Trump’s administration on its last day in office-imposed sanctions against the project’s last remaining pipelaying vessel Fortuna. Sanctions around participants of NS2 were waived later by new Biden administration in an effort to rebuild ties with Germany after their previous deterioration. The US and Germany pledged in July to respond to any attempt by Russia to use NS2 and energy in general as a geopolitical weapon against Ukraine and Eastern European countries.

Russian producer Gazprom announced in August that NS2 could deliver around 10% of its capacity in 2021. On September 10, the second line of NS2 was completed bringing the construction to an end. However, commercial flows were further delayed due to the certification process and EU rules requiring the owners of pipelines to be different from the gas suppliers. German regulator BNetzA had up to four months to produce a draft decision on NS2 certification and submit it to the European Commission. The pipeline was said to be filled with technical gas on October 18, commencing preliminary gas flows to prepare for full-scale operation.

BNetzA suspended the certification process on November 16 due to the change in legal form of Nord Stream 2 AG, having decided to set up a subsidiary that will own and operate the German section of the pipeline. The certification process will resume once the creation of new entity is complete and it submits all required documents. German regulator said on December 16 that final decision is not to be expected until mid-2022. Meanwhile, the European Parliament passed a resolution calling for cancellation of NS2 operations, regardless of its compliance with EU legislation, in a response to Russian military assembling near the borders with Ukraine. Germany's new foreign minister Baerbock announced that further escalation could lead to a possibility of NS2 not being able to proceed, a statement underpinned by Green party's, a long-term opponent of the pipeline, control of foreign and energy and economy ministries.

On February 22, 2022, German government halted the NS2 authorization procedure indefinitely in reaction to Russia's military actions after its army entered the Luhansk and Donetsk separatist regions of Ukraine. The stance was further galvanized after the full-scale invasion of Ukraine few days later, with hopes of the pipeline commissioning effectively disappearing.

OIL

Crude oil prices increased in 2021 as increasing COVID-19 vaccination rates, loosening pandemicrelated restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply.

Front month closing prices of Brent crude oil started the year at 51 US dollar per barrel ($/bbl) and increased to a 7-year-high at 86 $/bbl on October 26, and then declined to 78$/bbl at the end of the year.

Brent's 2021 annual average of 71$/bbl is the highest in the past three years. The price of West Texas Intermediate (WTI) crude oil traced a similar pattern to Brent and averaged 3$/bbl less than Brent in 2021.

Average global oil demand increased in comparison with the first pandemic year 2020 by 6%, from 91.86 million barrels per day (mb/d) to 97.05 mb/d. In contrast, the average global oil supply increased by only 2%, from 93.8 (mb/d) to 95.43 mb/d. The slower increase in production was mostly attributable to OPEC+ crude oil production cuts that started in late 2020. OPEC production in December 2021 was still by 0.85 mb/d lower than in December 2019 before the covid pandemic.

US crude oil production in 2021 decreased by 0.1 mb/d from 2020 and by 1.1 mb/d from 2019. Cold weather in February and hurricanes in August contributed to this decrease, but it also was a result of the decline in investment among US oil producers since mid-2020.

Increasing demand and lower supply of crude oil resulted in consistent global petroleum and liquid fuels inventory withdrawals from February through December and contributed to increasing crude oil prices. The largest inventory draw was in February, when Saudi Arabia imposed a cut of 1.0 mb/d on its production, and the United States experienced extremely cold weather that led to well freeze-offs and a 1.3 mb/d decline in crude oil production. A global decrease in petroleum inventories is estimated at 469 million barrels globally in 2021—likely the largest annual inventory withdrawal since 2007.

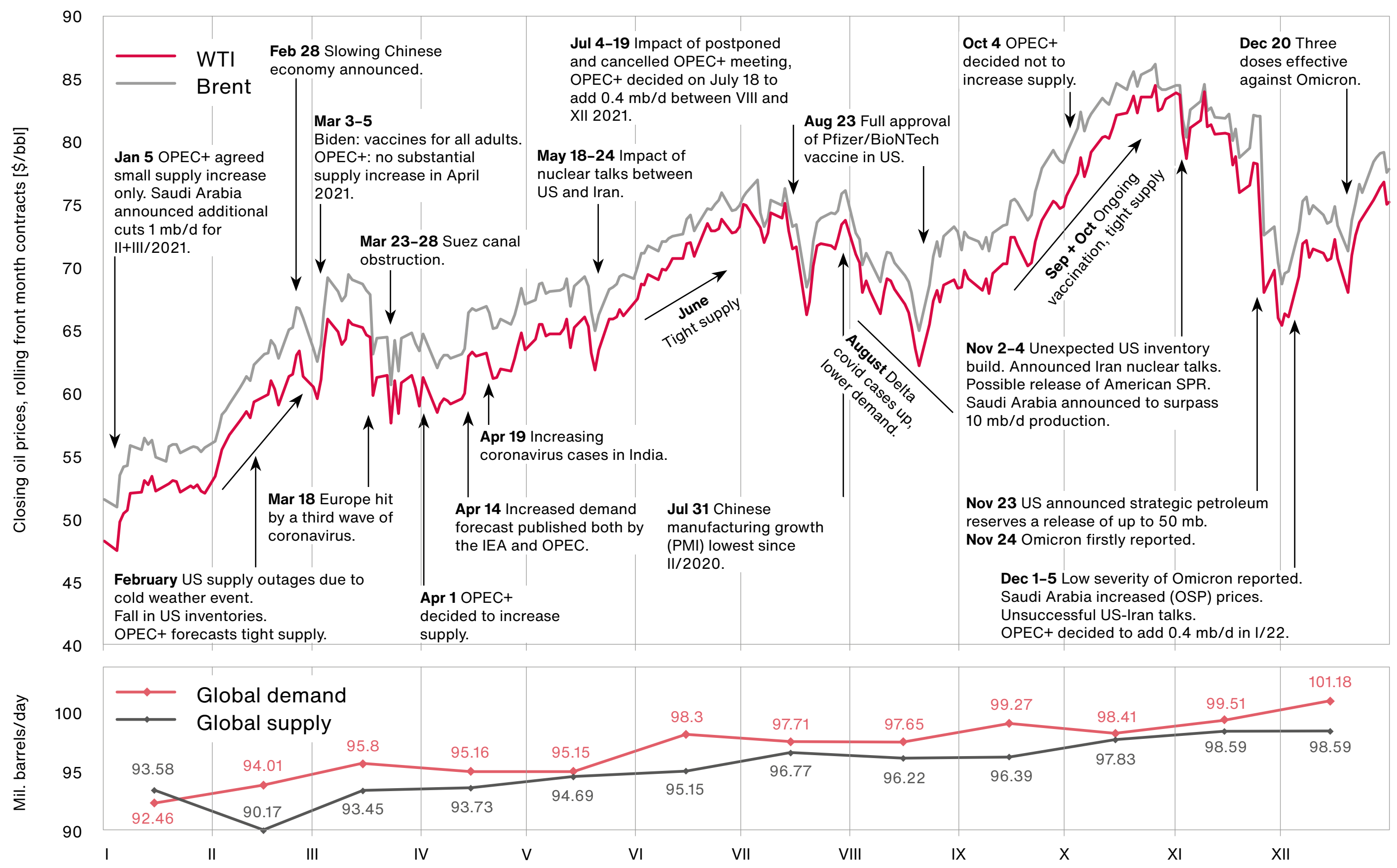


Figure 8: Year 2021, from month closing oil prices, OPEC decisions, milestones, monthly average of global oil supply and demand.

Source: Reuters, OPEC, EIA, EP Commodities

Both crude benchmarks prices rocketed by 5 $/bbl after January 5, 2021, when Saudi Arabia announced a voluntary output cut of 1 mb/d for February and March 2021.

Strong price rally between March 3 and 5 was caused by Biden's announcement about availability of vaccines for all adults by the end of May and OPEC+ announcement not to increase supply substantially in April, Brent gained around 6.5 $/bbl.

Brent lost 4.5 $/bbl on March 19 as Europe was hit by a third wave of coronavirus cases amid slowing vaccination rollouts. Strong turbulence in crude oil prices was brought by the Suez Canal obstruction that occurred on March 23 and took 6 days.

OPEC+ announced on April 1 to ease the curbs by 0.35 mb/d in May, followed by another 0.35 mb/d in June and 0.4 mb/d in July. Additionally. Saudi Arabia also gradually brought back the additional 1 mb/d of cuts that the kingdom had put in place as a voluntary measure. Brent lost 2%.

On April 14 Brent rallied nearly 5% up, mainly due to upward revision of demand forecasts by both the IEA and OPEC.

A price fall of 4% came on May 20 thanks to potential progress in nuclear talks between Iran and the US, whereby more supply could be made available to the market. But after it came out that UN nuclear watchdog IAEA is unable to reach an expected agreement on how to continue to inspect Iran's nuclear sites, prices jumped back.

Brent gained in June 7 $/bbl (more than 10%) on a wave of tight supply and uncertainty before the planned OPEC+ meeting on July 2, 2021, which was at first postponed and later cancelled due to tensions with Saudi Arabia about production setup.

OPEC+ finally decided on July 18, 2021, to increase supply by further 0.4 mb/d a month from August until December 2021 together including the full reversal of Saudi Arabia's voluntary production cut of an additional 1 mb/d. Brent lost within a week nearly 8 $/bbl (10%).

During August 2021 Brent lost more than 11$/bbl amidst a revival of Covid (delta) cases due to record low China factory activity growth and IEA announcement about slowing demand growth.

Brent rocketed by 6,5 $/bbl (10%) after a full approval of the Pfizer/BioNTech vaccine by the US drug regulator on August 23 amidst more than 180,000 new cases daily in the US.

On October 4, 2021, OPEC+ decided not to increase supply beyond already agreed quantum despite calls from consumers for relaxing production curbs. Between October 1 and 5 surged Brent by 3 $/bbl to 77 $/bbl.

Both benchmarks reached historically high levels since 2014 on October 26 on the wave of tight supply and ongoing covid vaccination, Brent at 86.4 $/bbl and WTI at 84.7 $/bbl.

Between November 2 and 4, 2021 Brent lost 4 $/bbl (-5%) due to unexpected US inventory build and announced Iran nuclear talks (with possible lifting of crude export sanctions). Bearish mood added also possible release of oil from the American State Petroleum Reserve (SPR).

On November 4 OPEC+ rebuffed again calls of consumers for a raise in supply and decided not to increase supply beyond already agreed quantum. On November 23 US announced to release 50 mb oil from SPR and India 5 mb, oil prices surged by 2.5 $/bbl.

Brent witnessed on November 26 the largest price drop by 10 $/bbl (-12%) within a day since April 2020, in a reaction to a new COVID-19 variant Omicron.

Later during December 2021 positive news about Omicron's low severity and a possible sufficient protection with three vaccination doses pushed prices up to higher levels, with Brent ending up at the end of the year at 78 $/bbl and WTI at 75 $/bbl.

Oil prices were supported in January and February 2022 by dissipating fears about the impact of the COVID-19 Omicron variant, ongoing underproduction of OPEC and falling global oil inventories.

In countries like Ecuador, Kazakhstan and Libya, natural disasters, unplanned maintenance, and political turbulence caused supply disruptions.

Ongoing tensions between Ukraine and Russia got escalated after February 24, when Vladimir Putin announced Russian invasion of Ukraine. After following sanctions from US, EU and several further countries, including also Russian refinery sector oil prices futures surged to multi-year highs more than 100 $/bbl, on March 3, 2022, Brent at 117 $/bbl and WTI at $115 $/bbl.

COAL

Demand surge in 2021 leading to all-time price highs in early October for both metallurgical and thermal coal was seen due to rapid economic recovery following the COVID-19-related markets slump of 2020, when coal demand was estimated to have fallen 4.4% from the previous year.

Overall coal demand worldwide including uses beyond power generation, such as cement and steel production, is expected to grow by 6% in 2021 to 7 906 Mt, bringing it close to the record levels it reached in 2013 and 2014 and threatening net-zero goals.

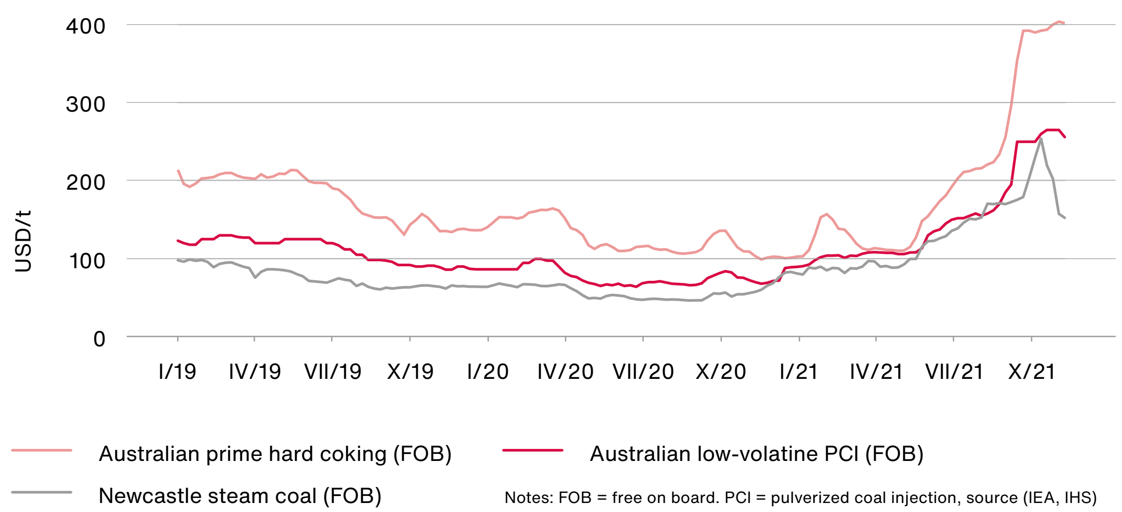
After falling in 2019 and 2020, global power generation from coal is expected to jump by 9% in 2021 to an all-time high of 10,350 TWh. In the United States and the European Union, coal power generation is expected to increase by almost 20% in 2021 but will not reach 2019 levels. By contrast, estimated growth of 12% in India and 9% in China will push coal power generation to record levels in both countries.

China's overall coal consumption is more than 52% of the global total and is underpinned by fast growing electricity demand and the resilience of heavy industry.

Coal production failed to keep pace with rebounding coal demand in 2021, especially during the first half of the year, cutting into stock levels and pushing up prices. In China and India, where coal shortages led to power outages and idled factories, domestic policies to ramp up production and reduce coal shortages were soon implemented, facilitated by the large presence of state-owned companies in production. The main coal exporting countries were prevented from fully taking advantage of high prices by supply chain disruptions, such as flooding in Indonesian mines.

Newcastle free on board (FOB) prices for thermal coal with a calorific value (CV) of 6 000 kcal/kg reached all-time highs 230 $/t in October 2021. Quick policy intervention by the Chinese government to balance the market had a rapid effect on prices. To ease the supply shortage, the Chinese government has asked regional authorities and coal mining companies to boost coal production. At the same time, the National Development and Reform Commission (NDRC) has called on major producers to cap prices on a voluntary basis (rail availability was limited for producers pricing above the cap). After that thermal coal prices eased in November, dropping by 40%.

Coking coal prices also rebounded to more than 390 $/t in October 2021, also a record high, but remained very high.



Notes: FOB = free on board. PCI = pulverized coal injection, source (IEA, IHS)

Figure 9: Marker prices for different types of coal, 2019–2021.

The Argus/McCloskey's Coal Price Index API2, which tracks cost, insurance, and freight (CIF) prices in Europe, found strong support from a natural gas shortage in Europe. Although carbon prices have reached record levels at 80 €/t, rising gas prices were provoking a power generation switch, back from gas to coal. Taken together, limited emissions allowances and tight coal and gas supplies created a positive feedback loop. While restricted access to EU emissions allowances has boosted gas demand, tight supplies have caused gas prices to rise so high that they are fully offsetting the effects of carbon pricing. This in turn has driven up coal demand and prices, providing support for the EU emissions allowance price.

Coal prices reached all-time highs in early October 2021, with imported thermal coal in Europe, at price of 298 $/t. Quick policy intervention by the Chinese government to balance the market had a rapid effect on prices. As of mid-November, European prices were in the range of 150 $/t.

In 2021, the global coal supply is set to expand 4.3% to 7 889 Mt (just below the 2019 pre-pandemic level) following the global rebound in demand.

China's coal production is expected to rise in 2021 4.3% to 3 925 Mt. Stricter safety and environmental regulations together with natural disasters such as floods, disrupted China's coal production and logistics in 2021. India´s coal production is expected to rise in 2021 by 3.7% to 793 Mt.

Australian coal exports to China vanished in 2021 due to China's unofficial ban on Australian coal in November 2020 after the island-nation supported calls for an international investigation into China's handling of the coronavirus outbreak earlier in the year. Since then, global trade flows have largely been rebalanced with other importing countries such as India and Korea filling the gap. Australian coal production is expected to increase 0.3% in 2021 to 470 Mt.

In 2021, Indonesia's coal production is expected to expand 2.2% to 576 Mt, even though coal mining companies have had difficulty ramping up production due to the low availability of heavy-duty equipment. Furthermore, heavy rains and flooding, particularly in the third quarter of 2021, curbed coal production and some exporters were forced to declare force majeure.

After the US coal production faced a drastic drop of 24% in 2020 to 485 Mt, the coal production in 2021 is expected to increase 9% to 528 Mt stimulated by a rebound in domestic consumption as well as overseas exports. Russian coal production is estimated at 429 Mt in 2021, +7.7% year-on-year.

Region / country	2019	2020	2021	2024	2019 - 2020	2020 - 2021	CAAGR 2021 - 2024
Asia Pacific	**5,760**	**5,729**	**5,939**	**6,182**	**-0.5%**	**3.7%**	**1.3%**
China	3,724	3,764	3,925	3,982	1.1%	4.3%	0.5%
India	756	764	793	955	1.0%	3.7%	6.4%
Australia	507	468	470	477	-7.7%	0.3%	0.5%
Indonesia	601	564	576	570	-6.1%	2.2%	-0.4%
North America	**706**	**540**	**584**	**536**	**-23.5%**	**8.2%**	**-2.8%**
United States	641	485	528	484	-24.4%	8.9%	-2.9%
Central and South America	**92**	**56**	**73**	**68**	**-39.4%**	**31.5%**	**-2.5%**
Europe	**531**	**446**	**475**	**378**	**-15.9%**	**6.4%**	**-7.3%**
European Union	374	301	329	247	-19.3%	9.2%	-9.1%
Middle East	**2**	**2**	**2**	**2**	**-0.2%**	**3.7%**	**0.0%**
Eurasia	**578**	**526**	**556**	**580**	**-9.0%**	**5.8%**	**1.4%**
Russia	439	398	429	445	-9.4%	7.7%	1.2%
Africa	**276**	**262**	**260**	**269**	**-5.2%**	**-0.5%**	**1.1%**
World	**7.944**	**7.560**	**7.889**	**8.014**	**-4.8%**	**4.3%**	**0.5%**

Notes: CAAGR = compound average annual growth rate. Data for 2019 and 2020 are from IEA statistics; 2020 are preliminary; 2021 are estimated; 2024 are forecasts. Differences in totals are due to rounding.

Figure 9: Total coal production in Mt.

Source: IEA

Global coal prices soared in January and February 2022 as escalating tensions with Russia raised concerns about a potential supply disruption. On the background of increasing gas prices and potential supply disruptions, European utilities have stepped up imports of coal, further tightening a market that has yet to recover from Indonesia's shock ban that cut coal flows during the peak winter demand season.

API2 price surged from 119 $/t on December 30, 2021, to 415 $/t on March 2, 2022.

EUA

European Union Allowances ended 2021 at 80.2 EUR/t, an all-time year-on-year increase from the 32.2 EUR/t close of 2020. The price was steadily increasing throughout the year with major gains during Q4 to its end-of-the-year. The record EUA prices in 2021 were driven by both power generation dynamics, policies driving compliance and speculators.

In July 2021 the 'Fit for 55' package was proposed by the European Commission targeting to reduce net greenhouse gas emissions by at least 55% by 2030. The proposed package aims to bring EU legislation in line with the 2030 goal. The EU ETS revision within the package includes a higher target for compliance covering 61% of emissions and a 4.2% linear decrease in the number of EUAs auctioned annually, which is set to raise EUA prices. Furthermore, the Carbon Border Adjustment Mechanism was proposed and should remove exemptions for Europe's manufacturing and aviation industries, which now receive 80% and 85% of their allowances for free.

'Fit for 55' with proposed EU ETS revisions have acted as a signal to investors looking to profit from a renewable/low carbon push. Many credit institutions, investment firms, funds, and non-compliance EUA buyers took open positions that increased in the second half of 2021. The number of entities invested in EUA futures, which are not under the EU directive, has risen 64% from last year, to 881 holders. Carbon exchange-traded products, favoured by retail investors, also exceed $2 billion this year.

Continued market stability reserve (MSR) injections, a mechanism to curb oversupply, removed around 308 million EUAs from auctions between September 2020 and August 2021. It is scheduled to remove another 378 million allowances between September 2021 and August 2022 further pushing the demand for EUAs.

Germany vowed to phase out coal power by 2038, nevertheless, its coal generation increased around 38% year on year in the first half of 2021 amid a 20% decline in wind generation. Moreover, German coal generation's increased share continued in the second half being a more profitable energy source than gas power plants. Lignite coal-fired power plants recorded the biggest gain of all in meeting higher post-pandemic electricity demand. In France low-carbon power also lost market share as 30% of the country's nuclear capacity was offline in January because of maintenance. Further planned and unplanned maintenances were introduced by the end of the year. These factors have upped EUA buying in fossil fuel generation compliance markets, thus pushing up demand from compliance buyers.

Record-high gas prices amid cold weather and low storage levels outpriced coal-to-gas fuel switching. This has forced power generators to switch from lower-carbon gas to carbon-heavy coal with the need to use more EUAs for compliance purposes. The high gas prices made coal-fired power plants significantly more profitable than gas power plants, even with high EUA prices.

EU economy greenhouse gas emissions in the third quarter of 2021 increased by 6% compared with the same quarter in the previous year. This increase is largely due to the effect of the economic rebound after the sharp decrease of activity in the same quarter of 2020 due to the COVID-19 crisis in the prepandemic third quarter of 2019, emissions amounted to 891 mt.

Emission in the electricity production sector were above the 2020 levels for the whole year with sharp increase at the end of Q3 and during Q4 climbing above the 2019 levels. This was mainly caused by the shift to coal and lignite electricity production due to rising gas prices. Between 2019 and 2021, EU power sector emissions declined at less than half the rate required for limiting global warming to 1.5 degree Celsius. The shift from fossil fuels to clean power is not happening fast enough. Coal, the dirtiest fuel, has declined just 3% since 2019, compared to 29% in the two years prior. Fossil fuels still accounted for 37% of EU electricity production in 2021, down from 39% in 2019, while renewables generated 37% and nuclear 26%. Since 2019 renewables have mainly replaced costly gas instead of dirtier coal power.

Although the wind and solar power capacity increased in 2021 from 316 GW to 350 GW, the total generation was stagnating (increase only by 5TWh year-on-year) mainly due to low wind production (decrease by 10 TWh year-on-year).

During February and March 2022 the conflict on Ukraine triggered a lot of uncertainty on the EUA market and carbon prices dropped to 4-month low from 95.07 EUR/t at close as of February 23 to as low as 55 EUR/t during March 2. The liquidation of positions came mainly from the non-compliance sector in order to reduce their risk amid the uncertain outcome of the conflict, it's duration and implications for industrial and political activities in Europe.

GLOBAL EVENTS

RUSSIA-UKRAINE RELATIONS

Russian relations with Ukraine and Western countries deteriorated in 2021 on growing tensions between the two blocks. In March, Russia commenced military build-up near its border with Ukraine, viewed by the latter as threat. Although withdrawing some forces in April, much of Russia's equipment was left in place. Further escalation came from incident in Black Sea involving British warship sailing close to Crimea peninsula annexed by Russia, joint naval exercise of North Atlantic Treaty Organization (NATO) with Ukraine in summer and massive Russian military exercises in September. Further fuelling the tensions was the manifesto by Russia's president Putin expressing fears of Western activities in Ukraine, considering them hostile against Russia.

By the end of October, Russia resumed its military build-up near Ukraine, sparking fears of invasion. Putin said that deployment of missile systems in Ukraine by the West would be crossing a red line for Russia and asked for legal agreements that would rule out any further NATO expansion towards Russia's borders. Ukraine's aspirations to join NATO were deemed as West ignoring these warnings and its own previous verbal assurances. In November, Moscow complained about supply of weapons and military advisers to Ukraine by US and NATO, deployment of missile defence system in Romania and plans for similar network in Poland. During common talks between US and Russian presidents in December, Biden warned of unprecedented Western sanctions in case of Russia's attack against Ukraine to which Putin replied by warning that such action by West would cause a complete rupture in mutual relations. The escalating confrontation was underlined by Russia's demands for the removal of all NATO military infrastructure in countries joining the alliance after 1997, effectively in whole Eastern Europe.

In Ukraine's view, demands not to expand NATO eastwards are illegitimate and Russian activities intended to destabilize the country. The prepared underwater Nord Stream 2 (NS2) gas pipeline, bypassing traditional land-based network through Eastern Europe, is considered as threat to Ukraine's security. Ukrainian pipelines are viewed as protection against possible Russian invasion as such action would probably disrupt gas flows to Europe. In response to Russia's military build-up, western governments warned that NS2 may never be brought online in case of invasion.

Russia launched a full-scale invasion of Ukraine on February 24, 2022, calling it a "special operation". Russian officials have repeatedly demanded "demilitarization and denazification" of Ukraine, a declaration of Ukraine's neutrality and recognition of Russian sovereignty over Crimea. The invasion was met with stiff resistance on the side of the army and people of Ukraine and has prompted worldwide condemnation and heavy sanctions imposed on Russia by the European Union, United Kingdom, United States, Canada, Australia, Japan, South Korea and Taiwan. The sanctions include freezing assets of the oligarchs around Putin and elite individuals considered responsible for the aggression, blockings of the Central Bank of Russia as well as other banks and financial institutions, including a block of the SWIFT system enabling bank transactions, bans on Russian airlines in the Western flight corridors and airports, exports of technological goods to Russia, suspended cooperation on research, science, innovation, and sports. Although not equally decisive, other countries also expressed opposition to Russian actions, notably the Turkish blockade of Russian naval ships entering the Black Sea. The United Nations General Assembly overwhelmingly voted to condemn the invasion and called for withdrawal of Russian troops from Ukraine. Similarly, sanctions have been mounting against Belarus which has provided support to Russian army strikes from its territory. As a result of the sanctions, Russian economy has received a huge blow, translated also in the 45% drop of the Russian ruble with respect to the US dollar to the historic low of 0.009 RUB/USD. As of early March 2022, Ukrainian forces have repulsed the initial advance of the Russian army and have prevented it from seizing the capital Kyiv, although the prospects of prolonged resistance have remained doubtful. NATO has declined any direct military interference on risks of open conflict with Russia, but Western countries have provided materiel, technological and humanitarian support for Ukraine.

TALIBAN IN AFGHANISTAN

In mid-August 2021, the Taliban seized the capital city of Afghanistan, Kabul, and took control of the country after a one-week campaign, following US President Joe Biden's order to withdraw the US military troops deployed in the Central Asian country to end terrorism in reaction to the September 11 attacks of 2001.

The rapid change collapse of the US-installed government took many by surprise, with thousands of people trying to flee the country and precipitating the country to a humanitarian crisis, with millions of Afghans facing severe food insecurity due to a reduction of income, cash shortages and rising food costs. The situation in the country had already been difficult in the six months before the takeover, with a sharp rise in civilian casualties.

The effect of this event on the energy markets is uncertain. On the one hand, the direct impact of the resurgent Taliban ruling in Afghanistan is negligible, with the country possessing estimated recoverable oil of 1.8 billion barrels and very low petroleum production. However, the political situation may further destabilize an already volatile region that is the centre of world oil production, which can translate into greater volatility on the markets.

SUEZ CANAL OBSTRUCTION

From 23rd of March Suez Canal was blocked for six days after the grounding of Ever Given, a 20,000 TEU container ship. This has disrupted global marine traffic blocking an estimated $400 million an hour in trade. Before the Ever Given was freed, 367 vessels were waiting to pass through the canal. The Suez Canal is one of the busiest trade routes in the world, with approximately 12% of total global trade moving through it. Energy exports like liquified natural gas, crude oil, and refined oil make up 5% to 10% of global shipments. The rest of the traffic is largely consumer products like clothing, furniture, manufacturing, auto parts and exercise equipment.

A journey from the Suez Canal in Egypt to Rotterdam, in the Netherlands – Europe's largest port – typically takes about 11 days. In case of an obstruction like this, venturing south around Africa's Cape of Good Hope adds at least 26 more days and there are additional fuel charges. The obstruction pushed down the crude oil prices by 5%, followed by price recovery after the reopening the Suez Canal.

COVID-19 PANDEMIC

Despite the almost miraculous development of effective vaccines against COVID-19 in 2020, the virus continued to spread and mutate throughout the last year. From the beginning of the year more than 3.3 million people died from COVID-19, a much higher number than in 2020. The delta variant of SARSCoV- 2 established itself as the dominant variant globally. Europe has experienced a fourth wave of the pandemic, which began in September. At the end of the year South Africa was experiencing a fourth wave of infection, driven by omicron, a variant of concern first detected in November, which is spreading worldwide and becomes the dominant variant.

Widespread COVID-19 vaccination began at the end of 2020, after the UK was the first country in the world to have clinically approved COVID-19 vaccines. More than 1 million doses were administered globally on Jan 1, 2021, increasing to more than 44 million on June 28. At the end of the year more than 8.4 billion doses of COVID-19 vaccine have been administered worldwide. By the end of the year 67.3% of European Union nationals have been fully vaccinated against Covid-19.

Most of EU countries introduced strict lockdowns and restrictions during the first half of 2021. These restrictions got lifted during the spring and summer. However, they got reintroduced during autumn and winter as the number of infected people increased again. The restrictions introduced during the second half of the year targeted mainly unvaccinated people, without imposing a general lockdown.

1.5 EU Taxonomy regulation

In June 2020, the European Commission published the basic underlying documents for the EU Taxonomy, a classification system establishing a list of environmentally sustainable economic activities which is supposed to direct investments towards sustainable projects. The list with individual environmentally sustainable activities including detailed technical screening criteria was subsequently published in the first Climate Delegated Act in April 2021. Decision on classification of gas and nuclear power and heat generation was postponed until February 2022, when the Complementary Climate Delegated Act was approved in principle by the European Commission, giving gas and nuclear generation a status of transitional activities. If the European Parliament and Council of the European Union do not express any objections within four to six months, the Complementary Climate Delegated Act will enter into force.

The EU Taxonomy requires large companies to disclose share of their turnover, operating expenditures ("OPEX") and capital expenditures which are associated with environmentally sustainable activities as defined in the Taxonomy Regulation and the delegated acts. In 2022, companies are not yet required to use detailed technical screening criteria to assess Taxonomy-alignment of their activities. Mandatory disclosure for the financial year 2021 is simplified and only includes reporting on the Taxonomyeligibility. Activities are considered as Taxonomy-eligible when they are listed and described in the delegated acts irrespective of whether that economic activity meets any or all the technical screening criteria laid down in those delegated acts.

APPLICATION BY EPH IN 2021

In its disclosure for 2021, EPH uses the option to report only on the Taxonomy-eligibility and not on the Taxonomy-alignment of its economic activities. The following economic activities were identified by EPH as taxonomy-eligible in the reporting year 2021:

Activity code	**Taxonomy-eligible activity**
4.1	Electricity generation using solar photovoltaic technology
4.3	Electricity generation from wind power
4.5	Electricity generation from hydropower
4.8	Electricity generation from bioenergy
4.9	Transmission and distribution of electricity
4.12	Storage of hydrogen
4.14	Transmission and distribution networks for renewable and low-carbon gasses
4.15	District heating/cooling distribution
4.20	Cogeneration of heat/cool and power from bioenergy
6.2	Freight rail transport
6.6	Freight transport services by road
7.7	Acquisition and ownership of buildings

The most significant activities classified as Taxonomy-eligible include operation of gas infrastructure currently used to transit, store, and distribute natural gas with the envisaged conversion, repurposing or retrofit to accommodate renewable and low-carbon gases such as hydrogen in the long term. These are covered by the following categories in the Taxonomy Regulation:

- *4.14. Transmission and distribution networks for renewable and low-carbon gases*, which is primarily associated with NACE codes D35.22 (Distribution of gaseous fuels through mains) or H49.50 (Transport via pipeline). The full turnover, OPEX and CAPEX reported from these activities was classified as Taxonomy-eligible

- *4.12. Storage of hydrogen*, which is not directly associated with any NACE code. Operation of facilities currently used to store natural gas is considered as an enabling activity in accordance with Article 10 of Taxonomy Regulation. The turnover, OPEX and CAPEX associated with operation of underground storage was fully classified as Taxonomy-eligible, while activities related to the exploration, production of hydrocarbons and drilling and workovers were classified as non-eligible.

Other Taxonomy-eligible activities with material financial contribution for the Group include mainly:

- *4.9. Transmission and distribution of electricity*, specifically operation of the electricity distribution network in central Slovakia, associated with NACE code D35.13 (Distribution of electricity). The full turnover, OPEX and CAPEX reported from this activity was classified as Taxonomy-eligible.

- *4.15. District heating/cooling distribution*, specifically operation of district heating networks in major regional cities in the Czech Republic, associated with NACE code D35.30 (Steam and air conditioning supply). As the entities operating heating networks sometimes also own the adjacent heating plants, the financials of these entities were split into the generation business and distribution business mainly on the basis of internal cost centers.

- *4.20. Cogeneration of heat/cool and power from bioenergy*, as EPH combusts biomass in certain heating plants. Biomass is combusted in dedicated biomass units as well as co-combusted with lignite. Where the portion of turnover, OPEX and CAPEX allocated to biomass could not be directly determined, a split based on percentage share in the fuel mix was used.

- *4.8. Electricity generation from bioenergy* – includes mainly dedicated biomass power plants in the UK, France and Italy.

- Generation from other renewable sources covered by activities *4.1. Electricity generation using solar photovoltaic technology, 4.3. Electricity generation from wind power,* and *4.5. Electricity generation from hydropower*

- Logistics activities covered by *6.2. Freight rail transport* and *6.6. Freight transport services by road*

- Real estate operations covered by *7.7. Acquisition and ownership of buildings*

Non-eligible activities are mainly represented by:

- Generation of heat and power from hard coal, lignite, or municipal waste.
- Power generation from natural gas, which was not addressed in the first Climate Delegated Act from April 2021. As the Complementary Climate Delegated Act from February 2022 labelling generation from gas as taxonomy-eligible activity is not yet in force, the calculation of eligible turnover, OPEX and CAPEX below does not consider generation from gas as taxonomy-eligible.
- Supply and trading of power and gas – this activity is not addressed by the Taxonomy Regulation. As the supply and trading business reports relatively high turnover from resale of power and gas, the percentage share of the Taxonomy-eligible activities for the entire Group is distorted by this segment which is relatively minor in terms of operating profit contribution.

RESULTS OF TAXONOMY ASSESSMENT

The KPIs to assess taxonomy-eligibility are calculated as a portion of turnover, OPEX and CAPEX7 associated with the taxonomy-eligible activities listed above (numerator) divided by the total EPH Group turnover, OPEX and CAPEX (denominator). The results of the assessment are presented in the following table.

	Turnover		OPEX		CAPEX[7]	
	mEUR	%	mEUR	%	mEUR	%
Eligible activities	2,579	14%	1,160	7%	150	44%
Non-eligible activities*	16,352	86%	15,625	93%	190	56%
Total	**18,931**	**100%**	**16,785**	**100%**	**340**	**100%**

For illustrative purposes, we provide a supplementary calculation of percentage shares if the Complementary Climate Delegated Act was already in force and the turnover, OPEX and CAPEX reported by the EPH fleet of gas-fired plants were considered as Taxonomy-eligible.

	Turnover		OPEX		CAPEX[7]	
	mEUR	%	mEUR	%	mEUR	%
Eligible activities	6,589	35%	4,790	29%	264	78%
Non-eligible activities*	12,342	65%	11,995	71%	76	22%
Total	**18,931**	**100%**	**16,785**	**100%**	**340**	**100%**

* Major portion of non-eligible turnover and OPEX is represented by power and gas supply and trading business. In 2021, 55% of the turnover was generated by this business.

7 CAPEX in Taxonomy result assessment represents only additions to tangible and intangible assets. As compared to other section of annual report it does not include advances paid for tangible and intangible assets.

In the determination of turnover, OPEX and CAPEX according to the Taxonomy Regulation, the same accounting and valuation methods have been applied as in the notes to EPH's IFRS consolidated financial statements for 2021; see Note 7 – Revenues, Note 16 – Property, Plant and Equipment and Note 17 – Intangible Assets (including Goodwill).

TURNOVER

Numerator: Total revenues that were assigned to taxonomy-eligible activities listed above, specifically:

- For gas transmission, gas distribution and power distribution, generation from renewables, rail and road logistics and ownership of real estate, 100% of the reported revenues were classified as taxonomy-eligible as they were solely linked to the underlying eligible activity.
- For gas storage, revenues associated with operation of the underground storage facilities were classified as taxonomy-eligible, while revenues from exploration and production activities were excluded.
- For heat infrastructure companies, revenues generated from operation of the district heating networks and heat and power generation from biomass were classified as taxonomy-eligible, while generation from lignite and municipal waste was excluded. Where the portion allocated to biomass could not be directly determined, a split based on percentage share in the fuel mix was used.

Denominator: *Revenues* as presented in the EPH Group Consolidated statement of comprehensive income.

OPERATING EXPENSES (OPEX)

Numerator: Total OPEX that was assigned to taxonomy-eligible activities listed above, specifically:

- For gas transmission, gas distribution and power distribution, generation from renewables, rail and road logistics and ownership of real estate, 100% of the reported OPEX was classified as taxonomy-eligible as it was solely linked to maintenance and operation of assets used to generate the taxonomy-eligible revenues.
- For gas storage, OPEX associated with operation and maintenance of the underground storage facilities was classified as taxonomy-eligible, while OPEX related to exploration and production activities was excluded.
- For heat infrastructure companies, OPEX related to the maintenance of the district heating networks and direct production and maintenance costs related heat and power generation from biomass were classified as taxonomy-eligible, while direct production and maintenance costs associated with generation from lignite and municipal waste were excluded. Where the portion allocated to biomass could not be directly determined, a split based on percentage share in the fuel mix was used.

Denominator: the following items from the EPH Group Consolidated statement of comprehensive income were included:

- *Purchases and consumables*
- *Personnel expenses*
- *Repairs and maintenance*
- *Emission rights, net*
- *Other operating expenses*

CAPITAL EXPENDITURE (CAPEX[7])

Numerator: Total CAPEX that was assigned to taxonomy-eligible activities listed above, specifically:

- For gas transmission, gas distribution and power distribution, generation from renewables, rail and road logistics and ownership of real estate, 100% of the reported CAPEX was classified as taxonomy-eligible as it was solely linked to maintenance or development of assets to ensure provision of activities classified as taxonomy-eligible.
- For gas storage, CAPEX associated with maintenance and development of the underground storage facilities was classified as taxonomy-eligible, while CAPEX related to exploration and production activities was excluded.
- For heat infrastructure companies, CAPEX related to the maintenance or development of the district heating networks and CAPEX related to refurbishment or maintenance of biomass boilers was classified as taxonomy-eligible, while CAPEX associated with lignite units or the waste incinerator plant was excluded.

Denominator: *Additions to property, plant and equipment and intangible assets but excluding right-ofuse assets*

EPH

Management Statement

2 Management Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Energetický a průmyslový holding, a.s. (further "the Company") for the year ended 31 December 2021, which is prepared in accordance with the Czech accounting legislation.

The Statutory Financial Statements of the Company have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations and decrees applicable to entrepreneurs, in particular Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The Consolidated Financial Statements of the EPH Group have been prepared in accordance with International accounting standards (IAS) and International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), as adopted by the European Union.

In our opinion, both accompanying financial statements give true and fair view of the assets, liabilities, financial position, profit or loss as well as cash flows for the financial year 2021. In addition, the Group's review of operations includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

We recommend the Annual Report for authorisation and approval at the Annual General Meeting.

Prague, 31 March 2022

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors

Report on relations

Report on relations

between the controlling and controlled entities and on the relations between the controlled entity and other entities controlled by the same controlling entity (related entities)

–

prepared by the Board of Directors of **Energetický a průmyslový holding, a.s.** (“the Company”), with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, ID No.: 283 56 250, in accordance with Section 82 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended)

(the “**Report**”)

I. PREAMBLE

The Report has been prepared pursuant to Section 82 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended).

The Report has been submitted for review to the Company’s Supervisory Board in accordance with Section 83 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended), and the Supervisory Board’s position will be communicated to the Company’s General Meeting deciding on the approval of the Company’s ordinary financial statements and on the distribution of the Company’s profits or the settlement of its loss.

The Report has been prepared for the 2021 reporting period.

II. STRUCTURE OF RELATIONS BETWEEN THE ENTITIES

CONTROLLED ENTITY

The controlled entity is Energetický a průmyslový holding, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, Corporate ID: 283 56 250, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, file 21747.

CONTROLLING ENTITY

EP Corporate Group, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Corporate ID: 086 49 197

INDIRECTLY CONTROLLING ENTITY

EP Investment S.à r.l.
Registered office: L-2314 Luxembourg, Place de Paris 2, Luxembourg
Reg. No.: B 184.488,
Legal form: société à responsabilité limitée

OTHER CONTROLLED ENTITIES

The structure of relations of the controlling entity, EP Investment S.a.r.l., and groups of entities controlled by this controlling entity is presented in Appendix 1 to this Report. The Appendix therefore does not include the complete ownership structure of EP Investment S.a.r.l., nor does it list shareholders with non-controlling interests.

III. ROLE OF THE CONTROLLED ENTITY, METHOD AND MEANS OF CONTROL

ROLE OF THE CONTROLLED ENTITY

- strategic management of the development of a group of directly or indirectly controlled entities
- providing financing and developing financing systems for group entities
- optimising the services utilised/provided to improve the entire group’s performance
- managing, acquiring, and disposing of the Company’s ownership interests and other assets

METHOD AND MEANS OF CONTROL

The controlling entity holds a majority share of voting rights in Energetický a průmyslový holding, a.s. over which it exercises a controlling influence.

IV. OVERVIEW OF ACTS SPECIFIED BY SECTION 82 (2) (D) OF ACT NO. 90/2012 COLL., ON BUSINESS CORPORATIONS AND COOPERATIVES

During the accounting period 2021, the Company paid a profit share in excess of 10% of the Company’s equity.

Apart from the above, no other actions were taken in the interest or at the initiative of the controlling entity or entities controlled by the controlling entity during the 2021 reporting period that would relate to assets exceeding 10% of the controlled entity’s equity as presented in the latest financial statements.

V. AGREEMENTS CONCLUDED BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND OTHER RELATED ENTITIES

V. 1. 1.

IN 2021, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. GROUP WERE IN PLACE:

On 20 April 2016, an agreement on the assignment of a receivable and a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 26 January 2017, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 16 July 2018, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

On 20 November 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Investment Advisors, s.r.o. as the creditor.

On 14 March 2019, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing SK, a.s. as the creditor.

On 24 April 2019, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

On 18 July 2019, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 13 March 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

On 23 March 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and ABS PROPERTY LIMITED as the debtor.

On 3 December 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Real Estate, a.s. as the debtor.

On 4 December 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPIF Investments a.s. as the creditor.

On 14 December 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 22 December 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPIF Investments a.s. as the creditor.

On 16 December 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

IN 2021, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP CORPORATE GROUP, A.S. GROUP WERE IN PLACE:

On 20 July 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Corporate Group, a.s. as the debtor.

IN 2021, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP POWER EUROPE, A.S. GROUP WERE IN PLACE:

On 1 December 2015, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources CZ a.s. (formerly EP Coal Trading, a.s.) as the debtor.

On 13 February 2017, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 1 August 2017, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 28 February 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Mehrum GmbH as the creditor.

On 20 August 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Commodities, a.s. as the creditor.

On 27 September 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Power Europe, a.s. as the creditor.

On 31 December 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 20 October 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EP France S.A.S. as the creditor.

On 27 October 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources CZ a.s. (formerly EP Coal Trading, a.s.) as the debtor.

On 23 December 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources AG as the debtor.

On 4 January 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 17 March 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 22 March 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 16 June 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 15 September 2021, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 6 October 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Commodities, a.s. as the debtor.

On 19 October 2021, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources AG as the debtor.

IN 2021, THE FOLLOWING OTHER LOAN AGREEMENTS WERE IN PLACE:

On 1 December 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Global Commerce a.s. as the creditor.

On 25 September 2012, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and SEDILAS ENTERPRISES LIMITED as the creditor.

On 23 October 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and WOOGEL LIMITED as the creditor.

V. 1. 2.

IN 2021, THE FOLLOWING AGREEMENTS ON THE SET-OFF OF RECEIVABLES AND PAYABLES WERE CONCLUDED IN THE EP POWER EUROPE, A.S. GROUP:

On 8 March 2021, an agreement on the set-off of receivables was signed between Energetický a průmyslový holding, a.s. and EP Power Europe, a.s.

On 21 July 2021, an agreement on the set-off of receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

On 31 December 2021, an agreement on the set-off of receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

IN 2021, THE FOLLOWING AGREEMENTS ON THE SET-OFF OF RECEIVABLES AND PAYABLES WERE CONCLUDED IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. GROUP:

On 1 January 2021, an agreement on the set-off of receivables was signed between Energetický a průmyslový holding, a.s. and EP Investment Advisors, s.r.o.

V. 1. 3.

IN 2021, THE FOLLOWING GUARANTEE ISSUANCE AGREEMENTS AND GUARANTEE FEE AGREEMENTS WERE IN EFFECT BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND THE RELATED ENTITIES:

EP UK Investments Ltd
EP Commodities, a.s.
EP Resources CZ a.s. (formerly EP Coal Trading, a.s.)
EP COAL TRADING POLSKA S.A.
EP Cargo Invest, a.s.
EP Cargo Deutschland GmbH
Gazel Energie Generation S.A.S.
Gazel Energie Solutions S.A.S.
EP Resources AG
EP Mehrum GmbH
EP Power Europe, a.s.
Aerodis
Illico SAS
Gazel Energie Renouvelables
Tynagh Energy Limited
Eggborough Energy Limited
EP Investment Advisors, s.r.o.
Surchiste, S.A.
Dynamo S.A.S.

V. 1. 4.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP THAT WERE IN PLACE IN 2021:

On 1 August 2013, an ISDA 2002 Master Agreement and a supplement Schedule to the 2002 Master Agreement were signed between Energetický a průmyslový holding, a.s. and EP Energy, a.s.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. GROUP THAT WERE IN PLACE IN 2021:

On 4 February 2021, an agreement on the provision of an additional equity contribution including valid amendments was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Real Estate, a.s.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP POWER EUROPE, A.S. GROUP THAT WERE IN PLACE IN 2021:

On 8 March 2021, an agreement on the assignment of a receivable was signed between EP Produzione S.p.A. as the assignor and Energetický a průmyslový holding, a.s. as the assignee against EP Power Europe, a.s.

On 8 January 2021, an agreement on the transfer of shares was signed between EP Power Europe, a.s. as the buyer and Energetický a průmyslová holding, a.s. as the seller.

V. 1. 5.

IN 2021, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING A.S. GROUP:

An agreement on the provision of support and advisory on acquisition projects was signed between EP Investment Advisors, s.r.o. as the provider and Energetický a průmyslový holding, a.s as the interested party on 10 December 2014.

A technical assistance agreement, including valid amendments, concluded between EP Investment Advisors, s.r.o. as the provider and Energetický a průmyslový holding, a.s as the interested party on 2 January 2015.

A mediation agreement was signed between EP Investment Advisors, s.r.o. as the mediator, and Energetický a průmyslový holding, a.s. as the customer on 4 January 2016.

An agreement on the assignment of a receivable and a loan agreement concluded between EP Logistics International, a.s. as the assignee and Energetický a průmyslový holding, a.s. as the assignor on 20 April 2016.

A professional services agreement concluded between EP Investment Advisors, s.r.o. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2017.

A sublease agreement concluded between EP Investment Advisors, s.r.o. as the tenant and Energetický a průmyslový holding, a.s. as the subtenant on 15 June 2017.

A professional services agreement concluded between EP Logistics International, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2018.

A professional services agreement concluded between EP Slovakia B.V. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2018.

A financial guarantee for debts of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 28 June 2018.

A professional services agreement concluded between PT Real Estate, a.s. (EP Real Estate, a.s.) as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2019.

A professional services agreement concluded between EPIF Investments a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2019.

A professional services agreement concluded between ABS PROPERTY LIMITED as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2019.

A professional services agreement concluded between PT Real Estate, a.s. (EP Real Estate, a.s.) as the provider and Energetický a průmyslový holding, a.s. as the interested party on 2 January 2019.

A financial guarantee for debts of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 10 February 2020.

A professional services agreement concluded between EP Investment Advisors s.r.o. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

A professional services agreement concluded between EP Investment Advisors s.r.o. as the provider and Energetický a průmyslový holding, a.s. as the interested party with effect from calendar year 2021.

A professional services agreement concluded between EPIF Investment a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

IN 2021, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE IN EP INFRASTRUCTURE, A.S. GROUP:

A professional services agreement concluded between EP Infrastructure, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2017.

A professional services agreement concluded between EP Infrastructure, a.s. as the provider and Energetický a průmyslový holding, a.s. as the interested party on 2 January 2018.

A professional services agreement concluded between EP Infrastructure, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

IN 2021, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE IN THE EP POWER EUROPE, A.S. GROUP:

A professional services agreement concluded between EP Power Europe, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2017.

A professional services agreement concluded between EP Power Europe, a.s. as the provider and Energetický a průmyslový holding, a.s. as the interested party on 2 January 2017.

A professional services agreement concluded between Mitteldeutsche Braunkohlengesellschaft mbH as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2017.

An agreement on the transfer of rights to SAP software concluded between EP UK Investments Ltd. and Energetický a průmyslový holding, a.s. as the supplier on 10 November 2017.

A professional services agreement concluded between EP Coal Trading, a.s. (EP Resources CZ a.s.) as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2018.

A professional services agreement concluded between EP Power Europe, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

A professional services agreement concluded between EP Power Europe, a.s. as the provider and Energetický a průmyslový holding, a.s. as the interested party with effect from calendar year 2021.

An agreement on the transfer of rights to SAP software concluded between EP Power Minerals GmbH AG and Energetický a průmyslový holding, a.s. as the supplier on 23 December 2021.

IN 2021, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EP EQUITY INVESTMENT S.À R.L. GROUP:

A professional services agreement concluded between EP Equity Investment S.àr.l as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

IN 2021, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EC INVESTMENTS A.S. GROUP:

A professional services agreement concluded between EC Investments a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

IN 2021, THE FOLLOWING OTHER OPERATING AGREEMENTS WERE IN PLACE:

An agreement on the transfer of rights and obligations concluded between Slovenské elektrárne, a.s. and Energetický a průmyslový holding, a.s. as the supplier on 11 July 2018.

A professional services agreement concluded between SPRITER, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2018.

A professional services agreement concluded between LEAG Holding, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 2 January 2017.

An agreement on the transfer of rights to SAP software concluded between Lausitz Energie Kraftwerke AG, Lausitz Energie Bergbau AG and Energetický a průmyslový holding, a.s. as the supplier on 30 September 2016.

An agreement on the transfer of rights to Oracle software concluded between Lausitz Energie Kraftwerke AG, Lausitz Energie Bergbau AG and Energetický a průmyslový holding, a.s. as the supplier on 30 September 2016.

All the above contracts were concluded at arm's length. Energetický a průmyslový holding, a.s. incurred no harm based on these contracts.

V. 2.

OTHER JURIDICAL ACTS MADE BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND OTHER RELATED ENTITIES

Apart from the above, no other agreements were concluded between Energetický a průmyslový holding, a.s. and the related entities, and no supplies or considerations were provided between Energetický a průmyslový holding, a.s. and the related entities.

Energetický a průmyslový holding, a.s. did not adopt or carry out any other juridical acts or measures in the interest or at the initiative of related entities.

V. 3.

TRANSACTIONS, RECEIVABLES AND PAYABLES OF ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. VIS-À-VIS RELATED ENTITIES

The receivables and payables of Energetický a průmyslový holding, a.s. from/to related entities as of 31 December 2021 are disclosed in the notes to the financial statements, which form part of the consolidated annual report.

VI.

We hereby confirm that this Report on relations between related entities of Energetický a průmyslový holding, a.s., prepared pursuant to Section 82 (1) of the Act on Business Corporations and Cooperatives (Act No. 90/2012 Coll., as amended), for the reporting period from 1 January 2021 to 31 December 2021, includes all information regarding:

- agreements between related entities,
- supplies and considerations provided to related entities,
- other juridical acts carried out in the interest of related entities, and
- all measures taken or implemented in the interest or at the initiative of related entities

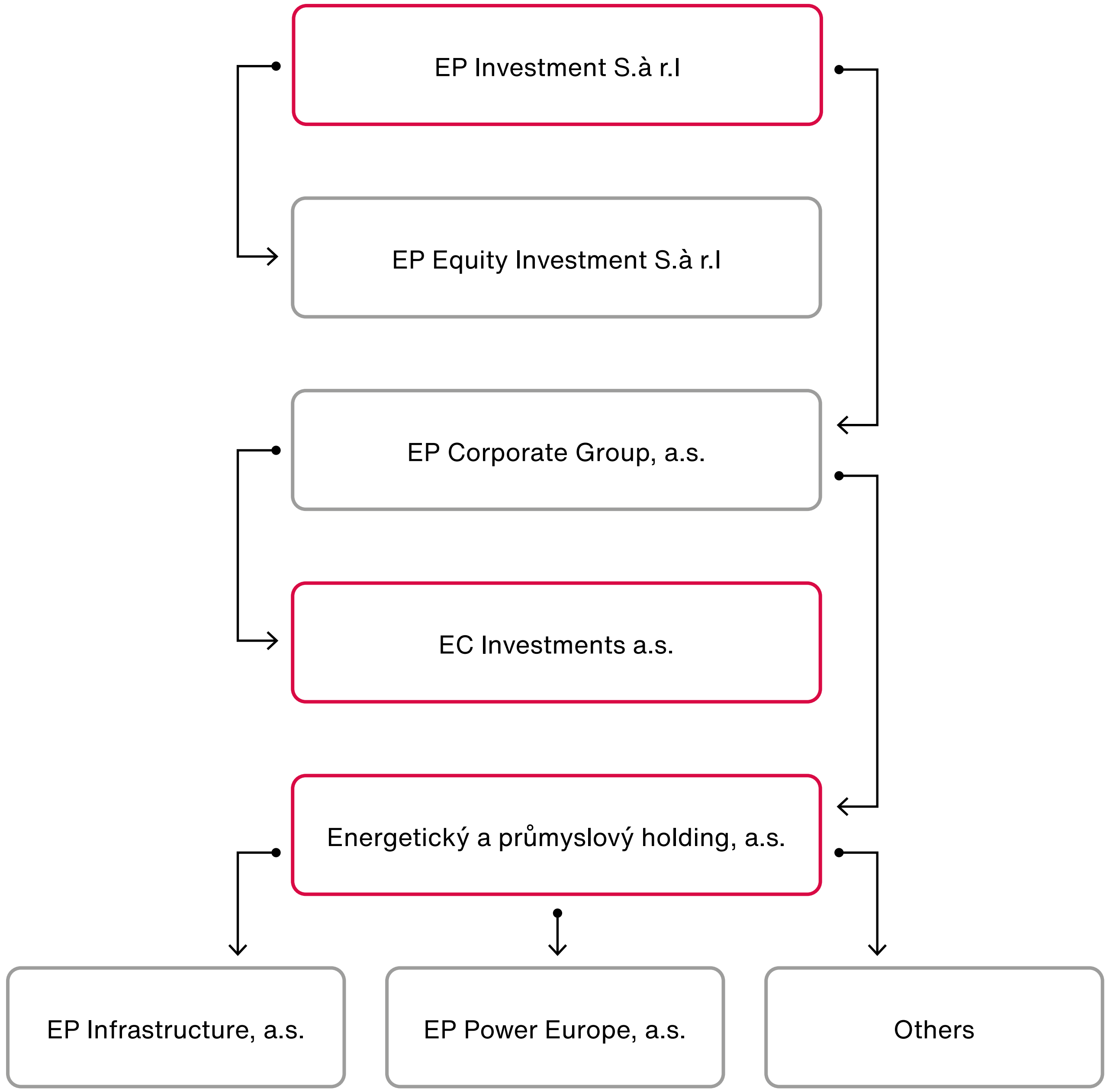
that was known to us as of the date of this Report.

The Board of Directors of Energetický a průmyslový holding, a.s. further declares that Energetický a průmyslový holding, a.s. incurred no damage because of the actions of the controlling entity or of any entity controlled by the same entity. All transactions between the controlled entity and the controlling entity/entities controlled by the same controlling entity were concluded at arm's length. The contractual and other relations with related parties resulted in no loss or financial advantage or disadvantage to Energetický a průmyslový holding, a.s.

Chairman of the Board of Directors

Member of the Board of Directors

Appendix 1



Consolidated Audit Report

Deloitte.

Deloitte Audit s.r.o.
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in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
Energetický a průmyslový holding, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

Opinion

We have audited the accompanying consolidated financial statements of Energetický a průmyslový holding, a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Consolidated Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated and standalone financial statements is, in all material respects, consistent with the consolidated and standalone financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 31 March 2022

Audit firm:

Deloitte Audit s.r.o.
registration no. 079

Deloitte

Statutory auditor:

Ladislav Šauer
registration no. 2261

increase of 5%

» In 2021, the consolidated EBITDA of the Group reached €2,264 million which means an increase of 5% compared to 2020 and historically the best result of the Group.

Consolidated Financial Statements for the year ended 31 December 2021

Consolidated Financial Statements

as of and for the year ended 31 December 2021

Prepared in accordance
with International Financial Reporting Standards
as adopted by the European Union

Consolidated statement of comprehensive income

For the year ended 31 December 2021
In millions of EUR ("MEUR")

	Note	2021	2020
Revenues	7	**18,931**	**8,531**
Purchases and consumables	8	**(14,798)**	**(4,895)**
Subtotal		**4,133**	**3,636**
Personnel expenses	9	(575)	(635)
Depreciation and amortization	16, 17	(742)	(783)
Repairs and maintenance		(106)	(85)
Emission rights, net	10	(838)	(401)
Negative goodwill	6	-	9
Taxes and charges	11	(114)	(128)
Other operating income	12	203	147
Other operating expenses	13	(468)	(422)
Own work, capitalized		29	38
Profit (loss) from operations		**1,522**	**1,376**
Finance income	14	110	37
Finance expense	14	(173)	(279)
Gain (loss) from financial instruments	14	7	(71)
Net finance income (expense)		**(56)**	**(313)**
Share of profit (loss) of equity accounted investees, net of tax	19	(8)	90
Gain (loss) from disposal of subsidiaries	6	33	823
Profit before income tax		**1,491**	**1,976**
Income tax expenses	15	(264)	(320)
Profit for the year		**1,227**	**1,656**
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment, net of tax	16	3	1,315
Fair value reserve included in other comprehensive income, net of tax	15	77	(26)
Foreign currency translation differences from presentation currency	15	245	(76)

	Note	2021	2020
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	15	(291)	116
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	(638)	(70)
Other comprehensive income for the year, net of tax		**(604)**	**1,259**
Total comprehensive income for the year		**623**	**2,915**
Profit attributable to:			
Owners of the Company		813	927
Non-controlling interest	27	414	729
Profit for the year		**1,227**	**1,656**
Total comprehensive income attributable to:			
Owners of the Company		457	1,341
Non-controlling interest	27	166	1,574
Total comprehensive income for the year		**623**	**2,915**
Total basic and diluted earnings per share in EUR	**26**	**0.20**	**0.23**

The notes presented on pages 116 to 321 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2021
In millions of EUR ("MEUR")

	Note	2021	2020
Assets			
Property, plant and equipment	16	11,931	12,094
Intangible assets	17	349	271
Goodwill	17	171	153
Investment property	18	22	3
Equity accounted investees	19	951	1,002
Restricted cash	24	-	2
Financial instruments and other financial assets	31	395	142
Trade receivables and other assets	22	117	98
Deferred tax assets	20	159	77
Total non-current assets		**14,095**	**13,842**
Inventories	21	661	422
Extracted minerals and mineral products		161	144
Trade receivables and other assets	22	3,858	1,331
Contract assets	7	37	54
Financial instruments and other financial assets	31	3,768	407
Prepayments and other deferrals		62	45
Current income tax receivable	15	27	18
Restricted cash	24	23	32
Cash and cash equivalents	23	2,497	1,753
Assets/disposal groups held for sale		-	4
Total current assets		**11,094**	**4,210**
Total assets		**25,189**	**18,052**
Equity			
Share capital	25	170	170
Share premium	25	64	64
Reserves	25	600	1,003
Retained earnings		874	716
Total equity attributable to equity holders		**1,708**	**1,953**
Non-controlling interest	27	3,195	3,434
Total equity		**4,903**	**5,387**

	Note	2021	2020
Liabilities			
Loans and borrowings	28	6,087	4,770
Financial instruments and financial liabilities	31	672	210
Provisions	29	1,542	1,563
Deferred income	30	98	88
Contract liabilities	7	77	115
Deferred tax liabilities	20	1,752	1,893
Trade payables and other liabilities	32	89	118
Total non-current liabilities		**10,317**	**8,757**
Trade payables and other liabilities	32	2,240	1,282
Contract liabilities	7	79	70
Loans and borrowings	28	979	1,234
Financial instruments and financial liabilities	31	5,089	608
Provisions	29	1,482	538
Deferred income	30	28	93
Current income tax liability	15	72	81
Liabilities from disposal groups held for sale		-	2
Total current liabilities		**9,969**	**3,908**
Total liabilities		**20,286**	**12,665**
Total equity and liabilities		**25,189**	**18,052**

The notes presented on pages 116 to 321 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021
In millions of EUR ("MEUR")

				Attributable to owners of the Company										
	Note	Share capital	Share premium	*Other capital funds from capital contributions*	*Non-distributable reserves*	*Translation reserve*	*Fair value reserve*	*Revaluation value reserve*	*Other capital reserves*	*Hedging reserve*	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2021 (A)		**170**	**64**	**23**	**16**	**(54)**	**(66)**	**951**	**(54)**	**187**	**716**	**1,953**	**3,434**	**5,387**
Total comprehensive income for the year:														
Profit or loss (B)		-	-	-	-	-	-	-	-	-	813	813	414	1,227
Other comprehensive income:														
Foreign currency translation differences for foreign operations	15, 25	-	-	-	-	(132)	-	-	-	-	-	(132)	(159)	(291)
Foreign currency translation differences from presentation currency	15, 25	-	-	-	-	78	-	-	-	-	-	78	167	245
Fair value reserve included in other comprehensive income, net of tax	15, 25	-	-	-	-	-	77	-	-	-	-	77	-	77
Revaluation reserve included in other comprehensive income, net of tax	15, 25	-	-	-	-	-	-	3	-	-	-	3	-	3
Effective portion of changes in fair value of cash-flow hedges, net of tax	15, 25	-	-	-	-	-	-	-	-	(382)	-	(382)	(256)	(638)
Total other comprehensive income (C)		-	-	-	-	(54)	77	3	-	(382)	-	(356)	(248)	(604)
Total comprehensive income for the year (D) = (B + C)		-	-	-	-	(54)	77	3	-	(382)	813	457	166	623
Contributions by and distributions to owners:														
Dividends to equity holders	27	-	-	-	-	-	-	-	-	-	(700)	(700)	(379)	(1,079)
Transfer to retained earnings		-	-	-	-	-	(10)	(29)	-	-	39	-	-	-
Transfer to non-distributable reserves – creation of legal fund		-	-	-	1	-	-	-	-	-	(1)	-	-	-
Total contributions by and distributions to owners (E)		-	-	-	1	-	(10)	(29)	-	-	(662)	(700)	(379)	(1,079)
Changes in ownership interests in subsidiaries:														
Effect of disposed entities	6	-	-	-	-	(9)	-	-	-	-	4	(5)	(24)	(29)
Effect of changes in shareholding on non-controlling interest	6	-	-	-	-	-	-	-	-	-	3	3	(2)	1
Total changes in ownership interests in subsidiaries (F)		-	-	-	-	(9)	-	-	-	-	7	(2)	(26)	(28)
Total transactions with owners (G) = (E + F)		-	-	-	1	(9)	(10)	(29)	-	-	(655)	(702)	(405)	(1,107)
Balance at 31 December 2021 (H) = (A + D + G)		**170**	**64**	**23**	**17**	**(117)**	**1**	**925**	**(54)**	**(195)**	**874**	**1,708**	**3,195**	**4,903**

The notes presented on pages 116 to 321 form an integral part of these consolidated financial statements.

For the year ended 31 December 2020
In millions of EUR ("MEUR")

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Attributable to owners of the Company										
				Other capital funds from capital contributions	*Non-distributable reserves*	*Translation reserve*	*Fair value reserve*	*Revaluation value reserve*	*Other capital reserves*	*Hedging reserve*	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2020 (A)		152	64	23	16	(109)	(41)	534	(54)	237	536	1,358	2,604	3,962
Total comprehensive income for the year:														
Profit or loss (B)		-	-	-	-	-	-	-	-	-	927	927	729	1,656
Other comprehensive income:														
Foreign currency translation differences for foreign operations	15, 25	-	-	-	-	57	-	-	-	-	-	57	59	116
Foreign currency translation differences from presentation currency	15, 25	-	-	-	-	(19)	-	-	-	-	-	(19)	(57)	(76)
Fair value reserve included in other comprehensive income, net of tax	15, 25	-	-	-	-	-	(25)	-	-	-	-	(25)	(1)	(26)
Revaluation reserve included in other comprehensive income, net of tax	15, 25	-	-	-	-	-	-	444	-	-	-	444	871	1,315
Effective portion of changes in fair value of cash-flow hedges, net of tax	15, 25	-	-	-	-	-	-	-	-	(43)	-	(43)	(27)	(70)
Total other comprehensive income (C)		-	-	-	-	38	(25)	444	-	(43)	-	414	845	1,259
Total comprehensive income for the year (D) = (B + C)		-	-	-	-	38	(25)	444	-	(43)	927	1,341	1,574	2,915
Contributions by and distributions to owners:														
Increase of share capital		18	-	-	-	-	-	-	-	-	-	18	-	18
Dividends to equity holders	27	-	-	-	-	-	-	-	-	-	(763)	(763)	(742)	(1,505)
Transfer to retained earnings		-	-	-	-	-	-	(27)	-	-	27	-	-	-
Total contributions by and distributions to owners (E)		18	-	-	-	-	-	(27)	-	-	(736)	(745)	(742)	(1,487)
Changes in ownership interests in subsidiaries:														
Effect of disposed entities	6	-	-	-	-	17	-	-	-	(7)	(10)	-	(3)	(3)
Effect of acquisitions through business combinations	6	-	-	-	-	-	-	-	-	-	-	-	1	1
Effect of changes in shareholding on non-controlling interest	6	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Total changes in ownership interests in subsidiaries (F)		-	-	-	-	17	-	-	-	(7)	(11)	(1)	(2)	(3)
Total transactions with owners (G) = (E + F)		18	-	-	-	17	-	(27)	-	(7)	(747)	(746)	(744)	(1,490)
Balance at 31 December 2020 (H) = (A + D + G)		170	64	23	16	(54)	(66)	951	(54)	187	716	1,953	3,434	5,387

The notes presented on pages 116 to 321 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021
In millions of EUR ("MEUR")

	Note	2021	2020
OPERATING ACTIVITIES			
Profit for the year		1,227	1,656
Adjustments for:			
Income tax expenses	15	264	320
Depreciation and amortization	16, 17	742	783
Dividend income	14	(6)	(3)
Impairment losses on property, plant and equipment, investment property and intangible assets	13, 14	22	14
Impairment losses on financial assets	14	13	29
Non-cash (gain) loss from commodity and freight derivatives, net	7	652	(75)
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	13	14	3
Emission rights	10	838	401
Share of (profit) loss of equity accounted investees	19	8	(90)
Gain on disposal of subsidiaries	6(d)	(33)	(823)
(Gain) loss from financial instruments	14	(20)	42
Net interest expense	14	142	157
Change in allowance for impairment to trade receivables and other assets, write-offs	13	38	31
Change in provisions		(30)	(40)
Negative goodwill	6	-	(9)
Other finance fees	14	11	27
Other non-cash transactions		-	8
Unrealized foreign exchange gains (losses), net		(142)	88
Operating profit before changes in working capital		**3,740**	**2,519**
Change in trade receivables, other assets, prepayment and other deferrals and contract assets		(1,801)	(23)
Change in inventories		(171)	(35)
Change in assets held for sale and related liabilities		1	(1)
Change in trade payables and other liabilities, deferred income and contract liabilities		764	194
Change in extracted minerals and minerals products		(17)	9
Change in restricted cash		11	9
Cash generated from (used in) operations		**2,527**	**2,672**
Interest paid		(167)	(187)
Income taxes paid		(416)	(438)
Cash flows generated from (used in) operating activities		**1,944**	**2,047**

	Note	2021	2020
INVESTING ACTIVITIES			
Dividends received from associates and joint-ventures		4	-
Dividends received, other		6	3
Purchase of financial instruments		(24)	(3)
Loans provided to other entities		(210)	(1,854)
Repayment of loans provided to other entities		221	1,814
Proceeds (outflows) from sale (settlement) of financial instruments		(385)	89
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17, 18	(441)	(404)
Purchase of emission rights	17	(472)	(410)
Proceeds from sale of emission rights		262	27
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		15	7
Acquisition of subsidiaries, net of cash acquired	6	(88)	(5)
Net cash inflow from disposal of subsidiaries	6	-	1,141
Increase in participation in existing subsidiaries, joint-ventures and associates	6	(2)	(1)
Decrease in participation in existing subsidiaries, joint-ventures and associates	6	3	-
Capital contributions paid to associates and joint ventures		-	(28)
Interest received		5	20
Cash flows from (used in) investing activities		**(1,106)**	**396**
FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	18
Proceeds from borrowings received	28	2,655	1,475
Repayment of borrowings	28	(2,053)	(1,722)
Proceeds from bonds issued, net of transaction fees	28	1,010	891
Repayment of bonds issued	28	(582)	(1,016)
Finance fees paid from repayment of borrowings and bond issue		(11)	(13)
Payment of lease liability	34	(31)	(39)
Loans provided to non-controlling shareholders as a prepayment for a dividend		(220)	(270)
Dividends paid to associates and joint ventures		(18)	(4)
Dividends paid		(849)	(1,252)
Cash flows from (used in) financing activities		**(99)**	**(1,932)**
Net increase (decrease) in cash and cash equivalents		*739*	*511*
Cash and cash equivalents at beginning of the year		**1,753**	**1,246**
Effect of exchange rate fluctuations on cash held		5	(4)
Cash and cash equivalents at end of the year		**2,497**	**1,753**

The notes presented on pages 116 to 321 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background

Energetický a průmyslový holding, a.s. (the "Parent Company" or "the Company" or "EPH") is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded on 7 August 2009 and entered in the Commercial Register on 10 August 2009.

The main activities of the Company are corporate investments in the energy infrastructure and power generation. Besides energy infrastructure and power generation activities the Group also operates in logistics.

The consolidated financial statements of the Company for the year ended 31 December 2021 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates and joint-ventures (together referred to as the "Group" or the "EPH Group"). The Group entities are listed in Note 37 – Group entities.

The shareholders of the Company as at 31 December 2021 were as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	95	56.00	56.00
J&T ENERGY HOLDING, a.s.	75	44.00	44.00
Total	**170**	**100.00**	**100.00**

The shareholders of the Company as at 31 December 2020 were as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	90	53.00	53.00
EP Investment II S.à r.l.	5	3.00	3.00
KUKANA ENTERPRISES LIMITED	75	44.00	44.00
Total	**170**	**100.00**	**100.00**

The members of the Board of Directors of the Company as at 31 December 2021 were:

- JUDr. Daniel Křetínský (Chairman of the Board of Directors)
- Mgr. Marek Spurný (Member of the Board of Directors)
- Mgr. Pavel Horský (Member of the Board of Directors)
- Ing. Jan Špringl (Member of the Board of Directors)

TRANSACTION OVERVIEW RELATED TO THE SHAREHOLDER STRUCTURE OF EPH GROUP

CHANGES IN 2020

On 24 January 2020, the general meeting decided on an increase in the share capital of EUR 18.4 million. Shares with a nominal value of CZK 1 each were assigned as follows:

- EP Investment S.à r.l. EUR 9.8 million;
- EP Investment II S.à r.l. EUR 8.6 million.

The increase in share capital was entered into the Commercial Register on 29 January 2020. Together with the increase in share capital, the 18,334,932 shares with par value of CZK 100 each were replaced by 1,834,493,200 shares with par value of CZK 1 each.

On 15 April 2020, EP Investment S.à r.l. transferred all shares in EPH to EP Corporate Group, a.s. (on 10 January 2020 renamed from EP Group Investments a.s.) which has become the new 53% shareholder of the Company. This transaction has not resulted in a change of the ultimate shareholder of the Group. The structure of the voting rights changed as follows:

- EP Corporate Group, a.s. 53%
- EP Investment II S.à r.l. 47%

On 27 August 2020, the 4,000,000,000 shares with par value of CZK 1 each were replaced by 4,000,000 shares with par value of CZK 1,000 each. This transaction has not resulted in a change of share capital or shareholders of the company.

On 17 December 2020, company KUKANA ENTERPRISES LIMITED (ultimately controlled by Patrik Tkáč) acquired 44% plus one share from EP Investment II S.à r.l. The structure of voting rights changed as follows:

- EP Corporate Group, a.s. 53%
- EP Investment II S.à r.l. 3% plus one share
- KUKANA ENTERPRISES LIMITED 44% minus one share

In 2020, the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and disposals of subsidiaries.

CHANGES IN 2021

On 29 June 2021, company J&T ENERGY HOLDING, a.s. acquired 44% plus one share from KUKANA ENTERPRISES LIMITED. The structure of voting rights changed as follows:

- EP Corporate Group, a.s. 53%
- EP Investment II S.à r.l. 3% plus one share
- J&T ENERGY HOLDING, a.s. 44% minus one share

In August 2021, after a series of transactions the ownership structure of the Company changed as follows:

- EP Corporate Group, a.s. 56% plus one share
- J&T ENERGY HOLDING, a.s 44% minus one share

These transactions have not resulted in a change of the ultimate shareholder of the Group.

In 2021, the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and disposals of subsidiaries.

2. Basis of preparation

A STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS) issued by International Accounting Standards Board (IASB), as adopted by the European Union.

The consolidated financial statements were approved by the board of directors on 31 March 2022.

B BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going-concern basis using the historical cost method, except for the following material items in the statement of financial position, which are measured at fair value:

- gas transmission pipelines and gas distribution pipelines at revalued amounts;
- gas inventories for trading at fair value less cost to sell;
- investment properties;
- derivative financial instruments;
- non-derivative financial instruments at fair value through profit or loss;
- financial instruments at fair value through other comprehensive income.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The accounting policies described in the following paragraphs have been consistently applied by the Group entities and between accounting periods.

C COVID-19 RELATED DISCLOSURES

Due to the coronavirus (“COVID-19”) outbreak, the countries where the Group operates as well as other countries in Europe and worldwide introduced quarantine and other restrictive measures intended to prevent the spread of COVID-19. These restrictive measures have led to serious interruptions in business, economic and day-to-day activities in the countries in which the Group operates and many other countries around the world, affecting, among other things, manufacturing, trade, consumer confidence, levels of unemployment, the housing market, the commercial real estate sector, debt and equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in wholesale and retail markets, the liquidity of the global financial markets and market interest rates.

From the very beginning of the COVID-19 outbreak, the EPH Group has been continuously identifying potential risks and implemented appropriate measures to mitigate or reduce the impact on the business as well as on the EPH Group's stakeholders, having two central objectives in mind: guaranteeing the health and safety of employees, which remains the EPH Group's top priority, and safeguarding the continuity of the essential energy security service in the countries where the EPH Group operates. In order to maintain operations to run critical infrastructure assets, precautionary measures have been implemented, special teams have been set up to manage the situation, and critical employees have been strictly divided into smaller teams. Such a setup is going to be kept as long as deemed necessary.

Despite the pandemic, the impact of COVID-19 on the Group's 2021 financial results was limited, as the majority of the Group's operations is concentrated around critical infrastructure and basic services for people and economies. EPH key subgroups – the EPIF and EPPE Groups (refer to Note 37 – Group entities) – showed strong and stable performance in 2021. With respect to the EPPE Group, performance was driven by providing security for the grids' stability in the regions where the EPPE Group operates and other main factor was overall power market situation, esp. in the last quarter of 2021. On the other hand, the EPIF Group's performance was largely driven by stable distribution revenue and improved performance of its combined heat and power ("CHP") fleet.

Based on currently available information, despite potential short-term results' volatility caused by the pandemic, the Group's performance is not expected to be significantly impaired in the medium to long term as the significant part of its operated assets remains regulated and/or long-term contracted. Further latest development of pandemic in Europe and with it connected announced release of the restrictions by several government indicate milder impact in future. However, the management cannot preclude the possibility that any extension of the current measures, or any re-introduction or escalation of lockdowns, or a consequential adverse impact of such measures on the economic environment where the Group operates will have an adverse effect on the Group, and its financial position and operating results, in the medium and long term. The Group continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

D FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Euro ("EUR"). The Company's functional currency is the Czech crown ("CZK"). All financial information presented in Euros has been rounded to the nearest million. The reason for the presentation currency is that by currency, EPH Group revenues and operating profit generated in Euro represent a significant share of the total revenues and operating profit.

E USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

I. ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the following years is included in the following notes:

- Notes 6, 16 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of property, plant and equipment and goodwill;
- Note 7 – revenues;
- Note 16 – measurement of gas transmission and gas distribution pipelines at revalued amounts;
- Note 18 – measurement of investment properties at fair value;
- Note 21 – measurement of inventories for trading at fair value less cost to sell;
- Note 29 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 28, 31 and 35 – valuation of loans and borrowings and financial instruments;
- Note 38 – litigations.

MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different level of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

II. JUDGEMENTS

Information about judgements made in the application of accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 6 and 17 – accounting for business combinations, measurement of goodwill/negative goodwill, impairment testing of goodwill;
- Note 7 – judgements relating to recognition of revenues from customers;
- Note 16 – assessment that IFRIC 12 and IFRS 16 is not applicable to the gas transmission and gas distribution pipelines, power distribution networks, gas storage facilities and heat infra facilities and distribution network;
- Note 6 and 27 – information relating to assessment of the control over the subsidiaries;
- Note 29 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 31 – own use exemption application for forward contracts on power and CO_2 emission allowances;
- Note 31 and 35 – hedge accounting application.

F RECENTLY ISSUED ACCOUNTING STANDARDS

I. NEWLY ADOPTED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021 THAT HAVE BEEN APPLIED IN PREPARING THE GROUP'S FINANCIAL STATEMENTS

The following paragraphs provide a summary of the key requirements of IFRSs that are effective for annual periods beginning on or after 1 January 2021 and that have thus been applied by the Group for the first time.

Amendment to IFRS 16 – Covid 19-Related Rent Concessions beyond 30 June 2021 (Effective from 1 April 2021 for financial years starting at the latest on or after 1 January 2021)

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.
The amendment does not affect lessors. The amendment permits to apply the practical expedient regarding covid-19-related rent concessions also for payments due in period 30 June 2021 to 30 June 2022.

The amendments have no material impact on the Group's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (Effective for annual periods beginning on or after 1 January 2021)

The amendments relate to modification of financial assets, financial liabilities and lease liabilities (practical expedient for modifications required by the reform), specific hedge accounting requirements (hedge accounting is not discontinued solely because of the IBOR reform, hedging relationship and related documentation must be amended), and disclosure requirements applying IFRS 7 to accompany the amendments.

The amendments have no material impact on the Group's financial statements. The Group has no material financial instruments with variable interest rates based on the reformed reference rates.

II. STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following significant Standards and Amendments to Standards have been issued but are not yet effective for the period ended 31 December 2021 and thus have not been adopted by the Group:

IFRS 17 Insurance Contracts and Amendment to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023), and IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9 (Effective for annual reporting periods beginning on or after 1 January 2021)

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17 combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; presents insurance service results separately from insurance finance income or expenses; and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Because of the nature of the Group's main business it is expected that the Standard will have no impact on the Group's financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2023 (not adopted by EU yet))

TThe amendment clarifies how to classify debt and other liabilities as current or non-current and how to determine whether in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment includes clarifying the classification requirements for debt a company might settle by converting it into equity.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework; IAS 16 – Proceeds before Intended Use, IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract and Annual Improvements 2018-2020 (Effective for annual reporting periods beginning on or after 1 January 2022)

Amendments to IFRS 3 update references to the Conceptual Framework, amendments to IAS 16 prohibit a company from deducting from the cost of property amounts received from selling items produced while the company is preparing the asset for its intended use and recognizes such sales and related cost in profit or loss and amendments to IAS 37 specify which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements affect the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplified the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences), IFRS 9 Financial Instruments (clarified the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability), IAS 41 Agriculture (removed a requirement to exclude cash flow from taxation when measuring fair value) and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are not expected to have any material impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure Initiative – Accounting Policies (Effective for annual reporting periods beginning on or after 1 January 2023)

The amendments introduce „material accounting policies" and requires the entity to disclose information about material instead of significant accounting policies and clarify that accounting policy information may be material because of its nature even if the related amounts are immaterial. The amendments also specify how the material accounting policies may be identified.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates (Effective for annual reporting periods beginning on or after 1 January 2023)

The amendments introduce the new definition of accounting estimate and requires the entities to develop accounting estimates to be measured in a way that involves measurement uncertainty. The amendment also specifies that change in accounting estimate that results from new information is not the correction of an error and may affect only the current period's profit or loss or the profit or loss of both the current and future periods.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IAS 12 – Deferred tax Related to Assets and Liabilities arising from a Single Transaction (Effective for annual reporting periods beginning on or after 1 January 2023 (not adopted by EU yet))

The amendment modifies an exemption from the initial recognition of deferred tax asset and liability arising from a single transaction that is not a business combination and does not impact accounting and taxable profit. For transactions in which equal deductible and taxable temporary differences arise, the entity is required to recognize deferred tax asset and liability and initial recognition exemption does not apply.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IFRS 17 Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Effective for annual reporting periods beginning on or after 1 January 2023 (not adopted by EU yet))

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17 to help entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

Because of the nature of the Group's main business it is expected that the Standard will have no impact on the Group's financial statements.

The Group is currently reviewing possible impact of the amendments to its financial statements.

The Group has not early adopted any IFRS standards where adoption is not mandatory at the reporting date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the Standards prospectively from the date of transition.

3. Significant accounting policies

The EPH Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements, except as described in Note 2(f) and 3(a).

Certain comparative amounts in the consolidated statement of financial position have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

A CHANGES IN ACCOUNTING POLICIES AND TERMINOLOGY

In 2021, the Group changed the labels of the selected line items in statement of comprehensive income. In particular, line item "Sales" was renamed to "Revenues" and line item "Cost of sales" was renamed to "Purchases and consumables". In the disclosure notes, the label "Energy" has been extended to "Energy and related services". The changes have been made to describe more accurately the activities of the Group.

B BASIS OF CONSOLIDATION

I. SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over the investee, exposure to variable returns from its involvement with the investee and is able to use its power over investee to affect the amount of its returns. The existence and effect of potential voting rights that are substantive is considered when assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

II. EQUITY ACCOUNTED INVESTEES

Associates are enterprises in which the Group has significant influence, but not control, over financial and operating policies. Investments in associates are accounted for under the equity method and are initially recognised at cost (goodwill relating to an associate or a joint venture is included in the carrying amount of the investment). The consolidated financial statements include the Group's share of the total profit or loss and other comprehensive income of associates from the date that the significant influence commences until the date that the significant influence ceases. When the Group's share of losses, including Group's share of negative other comprehensive income, exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses or further negative other comprehensive income is discontinued, except to the extent that the Group has incurred obligations in respect of or has made payments on behalf of the associate.

III. ACCOUNTING FOR BUSINESS COMBINATIONS

The Group acquired its subsidiaries in two ways:

- As a business combination transaction within the scope of IFRS 3 which requires initial measurement of assets and liabilities at fair value.

- As a business combination under common control which is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such acquisitions are excluded from the scope of IFRS 3. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements (i.e. value at cost as at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or negative goodwill was recognised on these acquisitions.

ACQUISITION METHOD AND PURCHASE PRICE ALLOCATION

As at the acquisition date the Group measures identifiable assets acquired and the liabilities assumed at fair value, with exception of deferred tax assets and liabilities, assets or liabilities related to employee benefits and assets/disposal groups classified as held for sale under IFRS 5, which are recognized and measured in accordance with respective standards.

Purchase price or any form of consideration transferred in a business combination is also measured at fair value. Contingent consideration is measured at fair value at the date of acquisition and subsequently remeasured at fair value at each reporting date, with changes in fair value recognized in profit or loss.

Acquisition related costs are recognized in profit or loss as incurred.

IV. NON-CONTROLLING INTERESTS

Acquisitions of non-controlling interest are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill and no gain or loss is recognised as a result of such transactions.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transaction.

V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

VI. UNIFICATION OF ACCOUNTING POLICIES

The accounting policies and procedures applied by the consolidated companies in their financial statements were unified in the consolidation and agree with the accounting policies applied by the Parent Company.

VII. PRICING DIFFERENCES

The Group accounted for pricing differences which arose from establishment of the Group and acquisition of certain new subsidiaries in the subsequent period. Such subsidiaries were acquired under common control of J&T Finance Group (which held controlling interest in the Group at the time of acquisition of the subsidiaries), and therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from a business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of J&T Finance Group, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences presented within other capital reserves.

VIII. REVERSAL OF ACCUMULATED AMORTIZATION, DEPRECIATION AND BAD DEBT ALLOWANCES IN COMMON CONTROL ACQUISITIONS

Accumulated amortisation and depreciation of intangible and tangible assets acquired as part of a common control transaction were reversed against the gross carrying amount of the underlying intangible and tangible assets, i.e. the intangible and tangible assets were recognised at their net book values as at the acquisition date.

Similarly, in acquisitions involving common control transactions, any bad debt allowances were reversed against gross amounts of purchased receivables as at the acquisition date.

IX. DISPOSAL OF SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEES

Gain or loss from the sale of investments in subsidiaries and equity accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

If the assets and liabilities are sold by selling the interest in a subsidiary or an associate the profit or loss on sale is recognised in total under Gain (loss) on disposal of subsidiaries, joint-ventures and associates in the statement of comprehensive income.

If the Group disposes of a subsidiary that was acquired under a common control transaction and pricing differences were recognised on the acquisition (refer to Note 3(b) vii – Pricing differences), the pricing differences are reclassified from other capital reserves to retained earnings at the date of the subsidiary's disposal.

C FOREIGN CURRENCY

I. FOREIGN CURRENCY TRANSACTIONS

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euro, which is the Group's presentation currency. Company's functional currency is Czech crown. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities at the exchange rate at the reporting date; where the functional currency is Czech crowns, at the exchange rate of the Czech National Bank.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the respective functional currencies of Group entities at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies at the foreign exchange rates at the dates the fair values are determined.

Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of FVOCI equity instruments or qualifying cash flow hedges to the extent that the hedge is effective, in which case foreign exchange differences arising on retranslation are recognised in other comprehensive income.

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 35 – Risk management policies and disclosures.

II. TRANSLATION TO PRESENTATION CURRENCY

These consolidated financial statements are presented in Euro which is the Group's presentation currency. The process of translation into presentation currency is performed into two steps.

Consolidated financial statements are first prepared in Czech crowns. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Czech crowns at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated into Czech crowns using a foreign exchange rate that approximates the foreign exchange rate at the date of the transaction. For significant transactions the exact foreign exchange rate is used.

The consolidated financial statements are then translated into Euros. The assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated from Czech crowns into Euros at foreign exchange rate at the reporting date. The income and expenses are translated from Czech crowns into Euros using a foreign exchange rate that approximates the foreign exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. At disposal relevant part of translation reserve is recycled to financial income or expense in the statement of comprehensive income.

D NON-DERIVATIVE FINANCIAL ASSETS

I. CLASSIFICATION

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income – debt instrument, fair value through other comprehensive income – equity instrument or fair value through profit or loss. The classification of financial asset is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at *amortized cost* if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. Loans and receivables which meet SPPI test and business model test are normally classified by the Group as financial asset at amortised cost.

A *debt instruments* are measured *at fair value through other comprehensive income* if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

The Group may make an irrevocable election at initial recognition for particular investments in *equity instruments* that would otherwise be measured at fair value through profit or loss (as described below) and are not held for trading to present subsequent changes in fair value in other comprehensive income. The Group has equity securities classified as financial assets *at fair value through other comprehensive income*.

All investments in equity instruments and contracts on those instruments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represent the best estimate of fair value within that range. The Group uses all information about the performance and operations of the investee that becomes available after the date of initial recognition. To the extent that any such relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the Group uses fair value. Cost is never the best estimate of fair value for investments in quoted instruments.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The key type of financial assets measured at fair value through profit or loss by the Group are derivatives.

The Group may, at initial recognition, irrevocably designate a financial asset, that would be measured at amortized cost or at FVOCI, as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

II. RECOGNITION

Financial assets are recognised on the date the Group becomes party to the contractual provision of the instrument.

III. MEASUREMENT

Upon initial recognition, financial assets are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instrument. Attributable transaction costs relating to financial assets measured at fair value through profit or loss are recognised in profit or loss as incurred. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

Financial assets at FVtPL are subsequently measured at fair value, with net gains and losses, including any dividend income, recognised in profit or loss.

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and reclassified to profit or loss upon derecognition of the asset.

Equity instruments at FVOCI are subsequently measured at fair value. Dividends are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest rate method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

IV. DERECOGNITION

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

E NON-DERIVATIVE FINANCIAL LIABILITIES

The Group has the following non-derivative financial liabilities: loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. Such financial liabilities are initially recognised at the settlement date at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit and loss, where transaction costs are recognised in profit or loss as incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate, except for financial liabilities at fair value through profit or loss. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

F DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity risk exposures.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

TRADING DERIVATIVES

When a derivative financial instrument is held for trading i.e. is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

SEPARABLE EMBEDDED DERIVATIVES

Financial and non-financial contracts that are financial liabilities within the scope of IFRS 9 (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. In the case of hybrid contracts where host contracts are financial assets the whole contract is assessed with respect to SPPI criteria.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

CASH FLOW HEDGES AND FAIR VALUE HEDGES

The financial derivatives, which do not meet the criteria for hedge accounting as stated by IFRS 9 are classified as for trading and related profit and loss from changes in fair value is recognised in profit and loss.

Hedging instruments which consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

In the case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss. In case the future transaction is still expected to occur then the balance remains in equity and is recycled to profit or loss when the hedged transaction impacts profit or loss.

In the case of a fair value hedge, the hedged item is remeasured for changes in fair value attributable to the hedged risk during the period of the hedging relationship. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognised in profit or loss, except for the financial asset – equity instrument at FVOCI, for which the gain or loss is recognised in other comprehensive income.

In the case of a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss.

TRANSACTIONS WITH EMISSION RIGHTS AND ENERGY

According to IFRS 9, certain contracts for emission rights and energy fall into the scope of the standard. Purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended for consumption or sale as part of its ordinary business. Such contracts are thus excluded from the scope of IFRS 9.

In particular, forward purchases and sales settled by delivery of the underlying are considered to fall outside the scope of application of IFRS 9, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- delivery of the underlying takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- the Group does not have a practice of settling similar contracts net in cash or another financial instrument or by exchanging financial instrument;
- the Group does not have a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuation in price or dealer's margin.

Contracts which do not meet above mentioned conditions fall under the scope of IFRS 9 and are accounted for in line with the requirements of IFRS 9. When for similar contracts the Group has practice of net settlement, a two-book structure and a strict separation of own-use book and trading book is applied.

For each contract where own-use exemption applies, the Group determines whether the contract leads to physical settlement in accordance with Group's expected purchase, sale or usage requirements. The Group considers all relevant factors including the quantities delivered under the contract and the corresponding requirements of the entity, the delivery locations, the duration between contract signing and delivery and the existing procedure followed by the entity with respect to contracts of this kind.

Contracts which fall under the scope of IFRS 9 are carried at fair value with changes in the fair value recognised in profit or loss.

G CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturities of three months or less.

H INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Purchased inventory and inventory in transit are initially stated at cost, which includes the purchase price and other directly attributable expenses incurred in acquiring the inventories and bringing them to their current location and condition. Inventories of a similar nature are valued using the weighted average method except for the energy production segment, where the first-in, first-out principle is used.

Internally manufactured inventory and work in progress are initially stated at production costs. Production costs include direct costs (direct material, direct labour and other direct costs) and part of overhead directly attributable to inventory production (production overhead). The valuation is written down to net realisable value if the net realisable value is lower than production costs.

Inventories used for trading purposes are recognized at fair value less cost to sell. Changes in value are recognized in consolidated income statement in the year in which they occur.

I IMPAIRMENT

I. NON-FINANCIAL ASSETS

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (h) – Inventories), investment properties (refer to accounting policy (l) – Investment property) and deferred tax assets (refer to accounting policy (r) – Income taxes) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes and is not larger than operating segment before aggregation. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU or CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

II. FINANCIAL ASSETS (INCLUDING TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS)

The Group measures loss allowances using expected credit loss ("ECL") model for financial assets at amortized cost, debt instruments at FVOCI and contract assets. Loss allowances are measured on either of the following bases:

- 12-month ECLs: ECLs that result from possible default events within the 12 months after the reporting date;
- lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchased or originated credit-impaired financial assets ("POCI"). At the date of the initial recognition, the financial asset is included in Stage I or POCI. Subsequent to initial recognition, financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III of the financial asset has been credit impaired.

The Group assumes that the credit risk on a financial asset has increased significantly if:

(a) a financial asset or its significant portion is overdue for more than 30 days (if a financial asset or its significant portion is overdue for more than 30 days and less than 90 days, and the delay does not indicate an increase in counterparty credit risk, the individual approach is used and the financial asset is classified in Stage I); or

(b) the Group negotiates with the debtor in a financial difficulty about debt's restructuring (at the request of the debtor or the Company); or

(c) the probability of default (PD) of the debtor increases by 20%; or

(d) other material events occur which require individual assessment (e.g., development of external ratings of sovereign credit risk).

At each reporting date, the Group assesses whether financial assets carried at amortised cost and investments to debt instrument are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group considers financial asset to be credit-impaired if:

(a) a financial asset or its significant part is overdue for more than 90 days; or

(b) legal action has been taken in relation to the debtor which outcome or the actual process may have an impact on the debtor's ability to repay the debt; or

(c) insolvency proceedings or similar proceedings under the foreign legislation have been initiated in respect of the debtor, which may lead to a declaration of bankruptcy and the application for the opening of this proceeding has not been refused or rejected or the proceedings have not been discontinued within 30 days of initiation ((b) and (c) are considered as "Default event"); or

(d) the probability of default of the borrower increases by 100% compared to the previous rating (not relevant condition in ECL model for intercorporate loans and receivables); or

(e) other material events occur which require individual assessment (e.g. development of external ratings of sovereign credit risk).

For the purposes of ECL calculation, the Group uses components needed for the calculation, namely probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Forward-looking information means any macroeconomic factor projected for future, which has a significant impact on the development of credit losses ECLs are present values of probability-weighted estimate of credit losses. The Group considers mainly expected growth of gross domestic product, reference interest rates, stock exchange indices or unemployment rates.

PRESENTATION OF LOSS ALLOWANCES

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

III. EQUITY ACCOUNTED INVESTEES

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

J PROPERTY, PLANT AND EQUIPMENT

I. OWNED ASSETS – COST MODEL

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (i) – Impairment). Opening balances are presented at net book values, which include adjustments from revaluation within the Purchase Price Allocation process (refer to accounting policy (b) iii – Basis of consolidation – Accounting for business combinations).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (q) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

II. OWNED ASSETS – REVALUATION MODEL

Gas transmission pipelines of eustream, a.s. and gas distribution pipelines in SPP – distribúcia, a.s. are held under revaluation model. The assets are carried at revalued amount, which is fair value at the date of revaluation less accumulated subsequent depreciation and impairment. Revaluation is made with sufficient regularity, at least every 5 years. Revaluation is always applied to the entire class of property, plant and equipment the revalued asset belongs to.

Initial revaluation as at the date of initial application of revaluation model, the difference between carrying amount and revalued amount is recognized as revaluation surplus directly in equity if revalued amount is higher than carrying amount. Difference is recognized in profit or loss if revalued amount is lower than carrying amount.

On subsequent revaluation, increase in revalued amount is recognized in other comprehensive income or in profit or loss to the extend it reverses a revaluation decrease of the same asset previously recognized in profit or loss. The decrease in revalued amount primarily decreases amount accumulated as revaluation surplus in equity, eventual remaining part of decrease in revalued amount is recognized in profit or loss. Accumulated depreciation is eliminated against gross carrying amount of the asset.

Deferred tax asset or liability is recognized in equity or in profit or loss in the same manner as the revaluation itself.

When asset under revaluation model is depreciated, revaluation surplus is released to retained earnings as the asset is depreciated. When the revalued asset is derecognized or sold, the revaluation surplus as a whole is transferred to retained earnings.

III. FREE-OF-CHARGE RECEIVED PROPERTY

Several items of gas and electricity equipment (typically connection terminals) were obtained "free of charge" from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to connect the customers to the grid. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

IV. SUBSEQUENT COSTS

Subsequent costs are capitalised only if it is probable that the future economic benefits embodied in an item of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

V. DEPRECIATION

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

- Power plant buildings and structures 7–100 years
- Buildings and structures 7–80 years
- Gas pipelines 30–70 years
- Machinery, electric generators, gas producers, turbines and boilers 7–50 years
- Mines and mine property 15–30 years
- Distribution network 10–30 years
- Machinery and equipment 4–40 years
- Fixtures, fittings and others 3–20 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date. For companies acquired under IFRS 3 for which a purchase price allocation was prepared, the useful lives are reassessed based on the purchase price allocation process.

K INTANGIBLE ASSETS

I. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Goodwill represents the excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets of the acquired subsidiary/associate/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under intangible assets. Goodwill on acquisitions of associates/joint ventures is included in the carrying amount of investments in associates/joint ventures.

If the Group's share in the fair value of identifiable assets and liabilities of a subsidiary or equity accounted investees as at the acquisition date exceeds the acquisition cost, the Group reconsiders identification and measurement of identifiable assets and liabilities, and the acquisition cost. Any excess arising on the re-measurement (negative goodwill) is recognised in profit and loss account in the period of acquisition.

Upon acquisition of non-controlling interests (while maintaining control), no goodwill is recognised.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to accounting policy (i) – Impairment) and is tested annually for impairment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less any impairment losses (refer to accounting policy (i) – Impairment). Intangible assets with a definite useful life are amortised over their useful lives and are recorded at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i) – Impairment).

II. RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

In 2021 and 2020, expenditures incurred by the Group did not meet these recognition criteria. Development expenditure has thus been recognised in profit or loss.

III. EMISSION RIGHTS

RECOGNITION AND MEASUREMENT

Emission rights issued by a government are initially recognised at fair values. Where an active market exists, fair value is based on the market price. The fair value for allocated emission rights is determined as the price at the date of allocation. Emission rights that are purchased are initially recognised at cost.

Internally generated emission allowances (in form of green certificates) obtained from qualifying generation assets are recognized as generation occurs, when it is probable that the expected future economic benefits attributable to them will flow to the Group and their cost can be measured reliably.

Subsequently, emission rights are accounted for under the cost method under intangible assets.

The Group's accounting policy is to use the first-in, first-out principle ("FIFO") for emission rights disposal (consumption or sale).

IMPAIRMENT OF EMISSION RIGHTS

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired.

Where an impairment indicator exists, the Group reviews the recoverable amounts of the cash generating unit, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. In case the carrying value of a cash generating unit is greater than its recoverable value, impairment exists.

Any identified emission rights impairment is recognised directly as a debit to a profit or loss account and a credit to a valuation adjustment.

RECOGNITION OF GRANTS

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission rights. The release of deferred income to a profit and loss account is performed on a quarterly basis; any subsequent update to the estimate of total annual pollutants is taken into account during the following monthly or quarterly assessment. Any disposals of certificates or changes in their carrying amount do not affect the manner in which grant income is recognised.

RECOGNITION, MEASUREMENT OF PROVISION

A provision is recognised regularly during the year based on the estimated number of tonnes of CO_2 emitted.

It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It means that the provision is measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, by using a FIFO method. The Group companies identify (in each provision measurement period) which of the certificates are “marked for settling” the provision and this allocation is consistently applied.

Otherwise, if a shortfall of emission rights on hand as compared to the estimated need exists at the reporting date, then the provision for the shortfall is recorded based on the current market value of the emission certificates at the end of the reporting period.

IV. SOFTWARE AND OTHER INTANGIBLE ASSETS

Software and other intangible assets acquired by the Group that have definite useful lives are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i) – Impairment).

Intangible assets that have an indefinite useful life are not amortised and are instead tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

V. AMORTISATION

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

- Software 2–7 years
- Customer relationship and other contracts 2–20 years
- Other intangible assets 2–20 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

L INVESTMENT PROPERTY

Investment property is property held by the Group either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Property that is being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured at fair value. For measurement policy of investment property refer to Note 4(c). Any gain or loss arising from a change in fair value is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income from investment property is accounted for as described in the accounting policy (o) – Revenue.

M PROVISIONS

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are recognised at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts, if the effect of discount is material, using as a discount rate the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss in finance costs.

The effects of changes in interest rates, inflation rates and other factors are recognised in profit or loss in operating income or expenses. Changes in

estimates of provisions can arise in particular from deviations from originally estimated costs, from changes in the settlement date or in the scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss at the date of the change in estimate (see below).

I. EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS

Liability relating to long-term employee benefits and service awards excluding pension plans is defined as an amount of the future payments, to which employees will be entitled in return for their service in the current and prior periods. Future liability which is calculated using the projected unit credit method is discounted to its present value. The discount rate used is based on yields of high-quality corporate bonds as at the end of the reporting period, which maturity approximately corresponds with the maturity of the future obligation. The revaluation of the net liability from long-term employee benefits and service awards (including actuarial gains and losses) is recognised in full immediately in other comprehensive income.

Contributions for pension insurance resulting from Collective agreement are expensed when incurred.

Pension plans

In accordance with IAS 19, the projected unit credit method is the only permitted actuarial method. The benchmark (target value) applied to measure defined benefit pension obligations is the present value of vested pension rights of active and former employees and beneficiaries (present value of the defined benefit obligation). It is in general be assumed that each partial benefit of the pension commitment is earned evenly from commencement of service until the respective due date.

If specific plan assets are established to cover the pension payments, these plan assets can be netted against the pension obligations and only the net liability is shown. The valuation of existing plan assets is based on the fair value at the balance sheet date in accordance with IAS 19.

Assets used to cover pension obligations that do not fully meet the requirement of plan assets have to be carried as assets on the balance sheet. Any netting off against the liability to be covered will not apply in this respect.

The Group recognises all actuarial gains and losses arising from benefit plans immediately in other comprehensive income and all expenses related to the defined benefit plan in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not been previously recognised.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II. PROVISION FOR LAWSUITS AND LITIGATIONS

Settlement of a lawsuit represents an individual potential obligation. Determining the best estimate either involves expected value calculations, where possible outcomes, stated based on a legal study, are weighted by their likely probabilities or it is the single most likely outcome, adjusted as appropriate to consider risk and uncertainty.

III. PROVISION FOR EMISSION RIGHTSS

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO_2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

IV. RESTRUCTURING

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

V. ASSET RETIREMENT OBLIGATION AND PROVISION FOR ENVIRONMENTAL REMEDIATION

Certain property, plant and equipment of conventional and renewable power plants in and gas storage facilities and coal mines have to be dismantled and related sites have to be restored at the end of their operational lives. These obligations are the result of prevailing environmental regulations in the countries concerned, contractual agreements, or an implicit Group commitment.

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognised in connection with the initial recognition of the related assets, provided that the obligation can be reliably estimated. The carrying amounts of the related items of property, plant and equipment are increased by the same amount that is subsequently amortised as part of the depreciation process of the related assets.

A change in the estimate of a provision for the decommissioning and restoration of property, plant and equipment is generally recognised against a corresponding adjustment to the related assets, with no effect on profit or loss. If the related items of property, plant and equipment have already been fully depreciated, changes in the estimate are recognised in profit or loss.

No provisions are recognised for contingent asset retirement obligations where the type, scope, timing and associated probabilities cannot be determined reliably.

Provisions for environmental remediation in respect of contaminated sites are recognised when the site is contaminated and when there is a legal or constructive obligation to remediate the related site.

Provisions are recognised for the following restoration activities:

- dismantling and removing structures;
- rehabilitating mines and tailings dams;
- abandonment of production, exploration and storage wells;
- dismantling operating facilities;
- closure of plant and waste sites; and
- restoration and reclamation of affected areas.

The entity records the present value of the provision in the period in which the obligation is incurred. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased to reflect the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

All the provisions for environmental remediation and asset retirement obligation are presented under Provision for restoration and decommissioning.

VI. ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

N LEASES

DEFINITION OF A LEASE

An agreement is or contains a leasing arrangement if it gives the customer the right to control the use of an identified asset in a time period in exchange for consideration. Control exists if the customer has the right to obtain substantially all economic benefits from the use of the asset and also the right to direct its use.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases (lease term 12 months or shorter). The Group recognises the lease payments associated with these leases as an expense.

An accounting unit uses this standard for all rentals, including a rental with a right of use as a part of sub-leasing, with the exception of rental for the purpose of investigating or using minerals, oil, natural gas and similar renewable resources; rental of biological assets as a part of the IAS 41 Agriculture standard held by the lessee; concessions for services as a part of IFRIC 12 Service Concession Arrangements; licences for intellectual property provided by the lessor to the extent of IFRS 15 Revenue from Contracts with Customers; and intangible assets in scope of IAS 38 Intangible Assets.

LESSOR ACCOUNTING

Lessor classifies leasing as either financial or operating. Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In the case of financial leasing the lessor reports in its statement of financial position a receivable in an amount equal to the net financial investment in the leasing. In the statement of comprehensive income then during the leasing term it reports financial revenues.

In the case of operating leasing the lessor recognises an underlying asset in the report on financial position. In the income statement then during the leasing term it reports leasing payments as revenues on a straight-line basis over the lease term and depreciation of the underlying asset as an expense.

LEASE OF LAND OR LEASE OF LAND AND BUILDING

In the event of the lease of land that is not covered by IAS 40 or IAS 2, it is always an operating lease. In the case of the lease of a building and land, the total rent is divided proportionately into rent for the building and rent for the land in accordance with the fair value.

LESSEE ACCOUNTING

Upon the commencement of a leasing arrangement, the lessee recognises a right-of-use asset against a lease liability, which is valued at the current value of the leasing payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Incremental borrowing rate is determined based on interest rates from selected external financial sources and adjustments made to reflect the terms of the lease.

Exception option applies for short-term leases (lease term 12 months or shorter) and leases of low value assets (lower than 5 thousand EUR). The Group has elected not to recognize right-of-use assets for these leases. Lease payments are recognised as an expense on a straight-line basis over lease period.

The lease liability is subsequently measured at amortized cost under the effective interest rate method. Lease liability is remeasured if there is a change in:

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of purchase, extension or termination option;

- in-substance fixed lease payments; or
- in the scope of a lease or consideration for a lease (lease modification) that is not accounted as a separate lease.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets. In case the right-of-use assets has been reduced to zero, the adjustment is recognized in profit or loss.

The Group presents right-of-use assets in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use assets is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

In a statement of comprehensive income, the lessee reports interest expense and (straight-line) depreciation of a right-of-use asset. A company (lessee) depreciates an asset in accordance with the requirements of the IAS 16. The asset is depreciated from the commencement date to the end of the lease term. If the underlying asset is transferred to the Group at the end of the lease term, the right-of-use asset is depreciated over the useful life of the underlying asset.

SERVICE PART OF A LEASE PAYMENT

Companies within the Group accounting for leases of vehicles do not separate the service fee from the lease payments. Total lease payments are used to calculate the lease liability. For other leasing contracts the service fee is separated from the lease payments. Service fee is recognised as a current expense in statement of comprehensive income, remaining part is used to calculate the leasing liability.

LEASE TERM

The lease term is determined at the lease commencement date as the non-cancellable period together with periods covered by an extension (or by a termination) option if the Group is reasonably certain to exercise such option.

Where the lease contract is concluded for an indefinite period with option to terminate the lease available both to the lessor and the lessee, the Group assesses the lease term as the longer of (i) notice period to terminate the lease and, (ii) period over which there are present significant economic penalties that disincentives the Group from terminating the lease. In case the assessed lease term is for a period below 12 months, the Group applies the short-term recognition exemption.

SUBLEASING

The classification of subleasing into financial and operating is governed primarily by the original agreement, where, if the primary agreement is short-term, it is always an operating leasing arrangement and then the properties of the actual sublease are assessed. When assessing the classification, the value of a right-of-use asset, not the value of the underlying asset, is taken into consideration. If the lessee provides or assumes that it will provide subleasing of an asset, the main leasing arrangement does not meet the conditions for leasing of low value assets.

RENEWAL OPTIONS

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

O REVENUE

I. REVENUES FROM CONTRACTS WITH CUSTOMERS

The Group applies a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on the criteria for meeting the performance obligation, the revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

Sales transactions usually contain variable consideration and usually do not contain significant financing component. Certain sales transactions contain also non-cash consideration.

The Group has identified following main sources of Revenue in scope of IFRS 15 (for complete source of Group's revenues refer to Note 7 – Revenues, for more information on contracts with customers refer to Note 5 – Operating segments):

- *Revenues from sale of gas, electricity, heat or other energy products (energy products)*

Revenues from power production (wholesale) are recognized based on the volume of power delivered to the grid and price per contract or as of the market price on the energy exchange.

The Group recognises the revenue upon delivery of the energy products to the customer. The moment of the transfer of the control over the products is considered at the moment of delivery, i.e. when the customer gains the benefits and the Group fulfils the performance obligation.

Revenues from energy supply to end consumers are measured using transaction prices allocated to those goods transferred, reflecting the volume of energy supplied, including the estimated volume supplied between last invoice date and end of the period. For B2C customers advance payments are required in general based on historical consumption, those are settled when the actual supplied volumes are known. While B2B customers are usually invoiced with higher frequency based on actual volumes supplied.

Where the Group acts as energy provider it was analysed if the distribution service invoiced is recognised as revenue from customers under IFRS 15. Judgement may be required to determine whether the Group acts as principal or agent in those cases. It has been concluded that the Group acts as a principal because it has the inventory risk for distribution services, and therefore materially all distribution services which are billed to its customers as part of the revenues from energy delivery are presented gross in the statement of comprehensive income.

- *Gas and electricity infrastructure services*

The Group provides services connected with the infrastructure by providing transmission or distribution of energy products or by providing storage capacities. Some of these services include ship-or-pay clauses (at gas transmission business) and store-or-pay clauses (at gas storage business), which reserve daily or monthly capacity for the customer with corresponding billing. The revenues from all these contracts are recognised over the time of contract. As the Group fulfils the performance obligation arisen from those contracts over the time of the contract, the revenues are recognised based on reserved capacity (gas transmission, gas distribution and gas storage) or distributed volume of energy (electricity distribution).

The transaction price comprises of fix consideration (nominated capacity fees) and variable consideration (fee adjustments based on transmitted/distributed volume, and fee adjustment based on difference in quality of transmitted gas on input and output). The variable consideration is recognized as incurred as it is constrained by uncertainty related to factors outside the Group's influence (such as energy demand volatility and weather conditions). The services are generally billed on monthly basis.

In case of transmission services part of the remuneration is collected in the form of non-cash consideration provided in the form of natural gas (payment for gas transmission services). The Group measures the non-cash consideration received at fair value.

The Group has evaluated that the several items of gas and electricity equipment (typically connection terminals) obtained "free of charge" from developers and from local authorities does not represent a grant (because in such cases the local authorities act in the role of a developer) and do not constitute a distinct performance obligation. This equipment is recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to distribute energy to the customers (a non-cash consideration). These costs approximate the fair value of the obtained assets.

- *Grid balancing services*

The Group provides grid balancing services to transmission system operators ("TSO") primarily in Italy, Germany, France, Ireland and the United Kingdom. The purpose of grid balancing services is to ensure the reliability of power grid and to maintain the quality of electricity supply. Grid balancing, which can span a wide array of services provided by the Group, includes two main streams of revenues represented by capacity fees and activation fees. The Group earns capacity fees for providing the service regardless of whether the TSO activates it (remuneration for availability), whereas activation fees are earned only when TSO requests the services (remuneration for performance).

Grid balancing services are accounted as 'stand-ready' services and recognized over time on straight line-basis. Capacity fees represent a fix part of the transaction price and is recognised equally over the contract period. Activation fees represents variable consideration of the contract. The Group does not accrue the activation fees as these are highly susceptible to factors outside Group's influence (such as weather conditions and fluctuation in energy consumption). The activation fees are recognized when activation (or deactivation) of respective resource is requested by the customer.

- *Coal mining and revenues from sale of coal*

The Group recognises the revenue from sales of coal at a point in time, upon delivery of coal to the customer. The moment of transfer of the control over the product is considered the moment of delivery to the destination specified by the customer, i.e. when the customer gains the benefits, and the Group fulfils the performance obligation. Shipping and handling activities are considered only as fulfilment activities. Sales revenue is commonly subject to adjustments by variable consideration based on an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or increase in sales revenue recognised on the sale transaction.

The Group may further guarantee to the customer its mining capacity for which the customer pays fixed capacity fee. If the mining capacity is booked, the Group recognizes the performance as 'stand-ready' performance and respective revenues is recognized over contract period on straight-line basis.

- *Logistics and freight services*

The Group provides procurement of commodities, freight and logistic connected services. At the inception of each contract, the Group identifies the performance obligations in the contract. Distinct performance obligations may include sale of goods and materials, transport, operation of containers and/or related consulting activities. Revenues from the sale of goods and materials are recognized at the point in time when the control is transferred to the customer. Revenues from freight services are recognized over a period of time as the customer is obliged to pay for the performance completed to date.

II. DERIVATIVES WHERE THE UNDERLYING ASSET IS A COMMODITY

Cash-settled contracts and contracts that do not qualify for the application of the own-use exemption are regarded as trading derivatives.

The following procedure applies to other commodity and financial derivatives that are not designated as hedging derivatives and are not intended for the sale of electricity from the Group's sources, for delivery to end customers or for consumption as a part of the Group's ordinary business (the own-use exemption is not applied).

At the date of the financial statements, trading derivatives are measured at fair value. The change in fair value is recognised in profit or loss. For the purposes of Group reporting, where trading with commodity derivatives forms a significant part of the Group's total trading activities, the measurement effect is recognised in "Gain (loss) from commodity and freight derivatives, net", a separate line item under "Total revenues" for commodity derivatives

with electricity, gas, coal and freight. The measurement effect for commodity derivatives with emission rights is included in line item "Emission rights, net".

III. RENTAL INCOME

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. .

P GOVERNMENT GRANTS

Government grants are recognised initially at fair value as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses the grant is intended to compensate are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Q FINANCE INCOME AND COSTS

I. FINANCE INCOME

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, gains on sale of investments in securities and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

II. FINANCE COSTS

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, fees and commissions expense for payment transactions and guarantees, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

III. BORROWING COSTS

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset, from the time of acquisition or from the beginning of construction or production until entry into service, are capitalised and subsequently amortised alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs for that arrangement are used. For non-specific financing arrangements, borrowing costs to be capitalised are determined based on a weighted average of the borrowing costs.

R INCOME TAXES

Income taxes comprise current and deferred tax. Income taxes are recognised in profit or loss, except to the extent that they relate to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised on the following temporary differences: temporary differences arising from the initial recognition of assets or liabilities that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. No deferred tax is recognised on the initial recognition of goodwill.

The amount of deferred tax is based on the expected manner of realisation or settlement of the temporary differences, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but there is an intention to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

S DIVIDENDS

Dividends are recognised as distributions within equity upon approval by the Company's shareholders.

T NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group's relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. If an investment or portion of an investment in associate or joint venture is classified as held for sale, it is measured at the lower of its existing carrying amount and fair value less cost to sell. Equity method of accounting is not applied since the classification as held for sale.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Gains are not recognised in excess of any cumulative impairment loss.

Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in profit or loss from continuing operations.

Any separate major line of business or geographical area of operations or significant part of business, which is decided to be sold, is classified as discontinued operations and is presented in profit or loss under separate line Profit (loss) from discontinued operations, net of tax.

U SEGMENT REPORTING

Segment results that are reported to the Group's Board of Directors (the chief operating decision maker) include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The support is provided by four executive committees: a strategic committee, an investment committee, a risk management committee and a compliance committee.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

A PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is based on three different approaches which may be employed to determine the fair value:

Market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables.

Income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Cost approach is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction cost. The depreciated replacement cost approach involves establishing the gross current replacement cost of the asset, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset, the estimated residual value at the end of the asset's working life and the loss in service potential

IFRS 13 requires fair value measurements of assets to assume the highest and best use of the asset by market participants, provided that the use is physically possible, financially feasible and not illegal. Highest and best use might differ from the intended use by an individual acquirer. Although all three valuation approaches should be considered in the valuation analysis, the fact pattern surrounding each business combination, the purpose of valuation, the nature of the assets, and the availability of data dictate which approach or approaches including accounting-oriented approaches are ultimately utilized to calculate the value of each tangible asset.

Selected items of property, plant and equipment – gas transmission pipeline owned and operated by eustream, a.s. and gas distribution pipelines owned and operated by SPP – distribúcia, a.s. ("SPPD") – are recognized in revalued amount in accordance with IAS 16 since 1 January 2019 and 1 January 2020, respectively. The revalued amount represents the fair value as at the date of the most recent revaluation, net of any subsequent accumulated depreciation and subsequent accumulated impairment. The most recent revaluation was prepared as at 1 August 2019 for eustream, a.s. and as at 1 August 2018 for SPPD by an independent expert and will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognised on the balance sheet date using fair values.

Each revaluation was conducted by an independent expert who used mainly the depreciated replacement cost approach supported by the market approach for some types of assets. In general, the replacement cost method was used and the indexed historical cost method for assets where reproductive rates were not available. By determining the fair value of individual assets with the cost approach, physical deterioration, plus technological and economic obsolescence of assets was acknowledged.

The assumptions used in the revaluation model are based on the reports of the independent appraisers. The resulting reported amounts of these assets and the related revaluation surplus of assets do not necessarily represent the value in which these assets could or will be sold. There are uncertainties about future economic conditions, changes in technology and the competitive environment within the industry, which could potentially result in future adjustments to estimated revaluations and useful lives of assets that can significantly modify the reported financial position and profit. For further information, refer to Note 16 – Property, plant and equipment.

B INTANGIBLE ASSETS

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

C INVESTMENT PROPERTY

The fair value of investment property is determined by an independent registered valuer. The fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies that consider the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation (discounting).

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

D INVENTORIES

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair value of inventories held by commodity traders (for trading purposes) is based on their listed market price and is adjusted for transport costs.

E NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, debt and equity instruments at FVOCI and financial assets at amortized cost is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables and of financial assets at amortized cost is determined for disclosure purposes only.

F NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

G DERIVATIVES

The fair value of forward electricity, gas and emission rights contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on zero coupon rates).

The fair value of interest rate swaps is based on broker quotes or internal valuations based on market prices. Those quotes or valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of other derivatives (exchange rate, commodity, foreign CPI indices) embedded in a contract is estimated by discounting the difference between the forward values and the current values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon rates).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

5. Operating segments

EPH is a leading Central European energy group that owns and operates assets primarily in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Ireland, France and Switzerland. EPH is vertically integrated and covers the complete value chain in the energy sector ranging from electricity and heat production from renewable and conventional sources, including highly efficient cogeneration, electricity and heat distribution, electricity and gas trading and supply to final consumers, lignite extraction and, last but not least, EPH is an important regional player in various segments of the gas industry, including gas transmission, gas distribution and gas storage. In addition, EPH also operates in logistics and in commodity trading business.

EPH Group comprises over 70 companies structured in two pillars – EP Infrastructure (or "EPIF Group") and EP Power Europe (or "EPPE Group") – that are ringfenced and steered separately. Each group operates in reportable segments under IFRS 8 Operating Segments. The Group identifies its operating segments at the level of each legal entity, the Group management monitors the performance of each entity through monthly management reporting. Operating segments are aggregated to four reportable segments in EPIF Group (Gas Transmission, Gas and Power distribution, Gas Storage and Heat Infra) and three reportable segments in EPPE Group (Generation and Mining, Renewable Energy and Other) mainly based on nature of the services provided. Each reportable segment aggregates entities with similar economic characteristics (type of services provided, commodities involved and regulatory environment. Reportable segments have been identified primarily on the basis of internal reports used by the Group's "Chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance. EPH seeks to achieve excellence in all aspects of its operations. Major indicators used by the Board of Directors to measure these segments' performance is operating profit before depreciation, amortization and negative goodwill (or "Underlying EBITDA") and capital expenditures (excl. emission rights, right-of-use assets and goodwill).

EP INFRASTRUCTURE GROUP ("EPIF GROUP")

The EPIF Group is a leading European energy infrastructure utility focused on gas transmission, gas and power distribution, heat and power generation and gas storage. With principal operations in the Slovak Republic and the Czech Republic, EP Infrastructure is a unique entity with a large and diverse infrastructure asset base.

The EPIF Group operates critical energy infrastructure through various subsidiaries in four reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage and Heat Infra.

GAS TRANSMISSION

The Group's Gas Transmission Business is operated through Eustream, which is the owner and operator of one of the major European gas pipelines and is the only gas transmission system operator in the Slovak Republic. The transmission network of Eustream is part of the Central Corridor which is one of the largest and the most important piped gas import route into Europe based on volume of gas transmitted by Eustream.

Eustream generates revenue primarily by charging tariffs for the transmission of gas through its pipelines. Shippers are obliged to pay the capacity fees for the booked capacity irrespective of whether such capacity is utilised by the shipper as all contracts, regardless of duration, are based on a 100 per cent ship-or-pay principle. In addition, a portion of revenue is generated via sale of gas in-kind, which Eustream receives from shippers and which remains in the network of Eustream after serving the network's technological needs.

The transmission fees are fixed from the start for each contract and are therefore not subject to unilateral renegotiation, termination or other adjustments other than for inflation. In addition to the transmission fees, network users are required to provide gas in-kind for operational needs, predominantly as a fixed percentage of commercial gas transmission volume at each entry and exit point. The network users may agree with Eustream to provide gas in-kind in a financial form. Gas for operational needs covers, among other things, the energy needs for the operation of compressors and the gas balance differences related to the measurement of gas flows. As Eustream is legally responsible for network balance, it will sell any gas in-kind it has received that is not consumed. Since the volume of gas in-kind is variable, any revenue from this mandatory sale of residual gas in-kind is also variable.

Majority of the gas transmitted through the network of Eustream stems from a long term contract with a prominent Russian shipper of gas, while the residual volumes are mostly based on short-term contracts concluded with European utilities, gas suppliers and gas traders. These contracts entitle shippers to transmit the natural gas through the Eustream's network to the Czech Republic, Austria, Ukraine and Hungary. The Group assessed the contractual conditions in the ship-or-pay arrangements and concluded that there is no derivative included as these contracts do not provide the Group with any flexibility and the capacity booked has to be always provided to the customer. Revenue is recognised based on the booked capacity stipulated in the contract (fixed element) and actual transmitted volume which affects the amount of gas in-kind received from the shippers (variable element).

Since 2005 charges are fully regulated by Energy Regulatory Authority ("RONI"). The regulatory framework provides a stable and sustainable environment for the transmission business. Transmission tariffs in the Slovak Republic for the regulatory period valid until the end of 2021 were set directly by RONI and were based purely on direct comparison of tariffs (also known as benchmarking) with other TSOs, primarily competitors across Europe, and were not directly impacted by natural gas prices or other elements (except for EU inflation rate). From the next regulatory period valid since the beginning of 2022, benchmarking of tariffs will remain to be used only as the secondary adjustment of the reference prices calculated primarily on the cost base principles. Gas transmission prices in existing contracts are generally not affected by tariff changes as tariffs are generally fixed for the life of the applicable contract (subject only to adjustments to reflect inflation), but the gas transmission prices in new contracts are set under at then applicable regulation and thereafter are held constant.

Because of the contractual nature of the long-term contract with the prominent Russian shipper of gas, management carefully assessed the contractual conditions with the respect to whether the contract includes any significant lease arrangement as per IFRS 16. As there is no indication that the Russian

shipper is in control of the asset and there are several other shippers using the asset, management concluded that no material indications of such leasing relationship were noted and that the transmission pipeline should be recognised in Eustream's balance sheet and related shipping arrangements accounted for in accordance with IFRS 15.

GAS AND POWER DISTRIBUTION

The Gas and power distribution segment consists of Power distribution division, Gas distribution division and Supply division. The Power distribution division distributes electricity in the central Slovakia region while the Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. This segment is mainly represented by Stredoslovenská energetika Holding, a.s. (further "SSE"), Stredoslovenská distribučná, a.s. (further "SSD"), SPP – distribúcia, a.s. (further "SPPD"), EP ENERGY TRADING, a.s. (further "EPET") and Dobrá Energie s.r.o.

The companies SPPD and SSD, which provide distribution of natural gas and power, respectively, are required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of RONI. Both entities operate under regulatory framework where allowed revenues are based primarily on the Regulated Asset Base ("RAB") multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years (current regulatory period 2017–2021 is extended until end of 2022).

Revenue from sales of electricity and gas are recognised when the electricity and gas is delivered to the customer. With respect to SSE, RONI regulates certain aspects of the SSE's relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Prices of electricity and gas for households and small business are regulated by RONI. The price of electricity for the wholesale customers is not regulated. With respect to supply activities in the Czech Republic, prices for end-consumers are not regulated.

EPET and the SSE also purchase and sell power, including sales in the wholesale market of electricity generated by the Group in its Heat Infra Business and purchases of electricity and natural gas to supply customers as part of the division's supply activities. The majority of the Group's trades are conducted on back-to-back basis.

GAS STORAGE

The Gas storage segment is represented by NAFTA a.s., SPP Storage, s.r.o., POZAGAS a.s. and NAFTA Germany GmbH and its subsidiaries which store natural gas primarily under long-term contracts in underground storage facilities located in the Czech Republic, Slovakia and Germany.

The Group stores natural gas in two locations in the Czech Republic and Slovakia and three locations in Germany. Additionally NAFTA a.s. and POZAGAS a.s. sell a part of their storage capacity at the Austrian Virtual Trading Point and they bear all entry exit fees in relation to the access to the Austrian market. The storage capacities are utilised for injection, withdrawal and storage of natural gas according to seasonal needs to ensure the standards of security of supply based on the valid legislation and to utilise short-term market volatility of gas prices. Charges for storage are agreed upon the period of contracts. Fee for storage depends primarily on the booked capacity per year and annual price indexes, furthermore products with higher deliverability and flexibility are priced with premium. The short-term storage capacity is mainly sold at prices derived from spreads between summer and winter prices.

HEAT INFRA

The Heat Infra segment owns and operates three large-scale combined heat and power plants (CHPs) in the Czech Republic mainly operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s. The heat generated in its CHPs is supplied mainly to retail customers through well maintained and robust district heating systems that the Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin.

The entities also represent important providers of grid balancing services for ČEPS, the Czech electricity transmission network operator. EP Sourcing, a.s. and EP Cargo a.s., as main suppliers of the above-mentioned entities, are also included in this segment.

EPIF OTHER

The Other operations represents mainly three solar power plants, one wind farm and a minority interest in another solar power plant in the Czech Republic. The Group also runs two solar power plants and a biogas facility in Slovakia.

EP POWER EUROPE GROUP ("EPPE GROUP")

EPPE Group focuses on development of a coherent power generation portfolio in Europe. With a total net installed capacity of ca. 10.2 GW (on consolidated basis, excluding equity-accounted investees) and with a balanced portfolio of gas and coal fired power plants, as well as renewables in the form of biomass, wind and solar power plants, EPPE Group belongs to top power producers in Europe. 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken off of the merchant market in December 2021 whereas the transmission system operator (Tennet) subsequently required Mehrum to be in a standby mode for at least 2022 for security of supply purposes which is pinpointed by the current situation. On the other hand, the Group has been investing into new low emission sources in Italy, Ireland and the UK (installed capacity of the new power plants under construction is approx. 2.6 GW).

It specializes in power generation from conventional and renewable sources, lignite mining and also operates as a trading house.

EPPE Group is divided into three reportable segments under IFRS 8: Generation and Mining (including generation activities in Italy, France, Germany, the UK and Ireland and mining activities in Germany), Renewables (including activities in Germany, the UK, Italy and France) and Other.

GENERATION AND MINING

Generation

The Generation part of the segment is primarily represented by investments in assets that generate electricity in condensation mode and which are located in markets with an active capacity market (the UK, France and Italy), or it where it is expected that such market shall be soon implemented.

ITALY

EP Produzione S.p.A. operates a total net installed capacity of 4.0 GW through four gas-fired power plants and one coal-fired power plant, making it one of the most relevant power generation players in the country. Its efficient and high-performance power stations are managed according to the highest environmental, safety and reliability standards, including the hard coal power plant Fiume Santo on the Sardinia island with an installed capacity of 599 MW which ensures local grid stability. The company operates four gas power plants – Livorno Ferraris, Ostiglia and Tavazzano Montanaso in the north of Italy and Trapani in Sicily and is building a new gas power plant in Tavazzano, which is to be part of the system to ensure stability of the grid in Italy. The gas-fired power plant Scandale in Calabria, which has a capacity of 814 MW, is managed by Ergosud S.p.A., a joint venture between EPH and A2A.

FRANCE

EPPE through its subsidiary Gazel Energie Generation S.A.S., operated two coal power generation units with an installed capacity of 1,190 MW, one located in Provence, decommissioned during 2021 (595 MW) the second one near Saint-Avold (expected to be decommissioned in 2022) and 150 MW biomass power plant in Provence. The biomass power plant has the power demand secured by a long-term PPA contract. Through its subsidiaries Gazel Energie Generation S.A.S. and Gazel Energie Solutions S.A.S., it is also active in electricity and gas retail supply for Industrial and Commercial ("I&C") and small-to-medium enterprises ("SME") customers.

GERMANY

Kraftwerk Mehrum GmbH operates a coal-fired power plant near Hanover with a net installed capacity of 690 MW, which was taken off the merchant regime since 8 December 2021 and will now operate only for balancing mechanism purposes for some time based on the regulator's requirements. The power plant has a very flexible design, which means that the net operating range of the power plant can be between 150 MW and 690 MW.

Since 1 October 2021, based on the historical agreement with Uniper (seller), the EPPE Group owns lignite power plant Schkopau with net installed capacity of 900 MW (until 1 October 2021, 42% was owned, while Uniper Kraftwerke GmbH owned remaining 58%). The power plant provides primarily specialized products to industrial customers Dow Chemical and Deutsche Bahn.

Helmstedter Revier GmbH operated a lignite power plant Buschhaus, which had been in security stand-by mode from 2016 till Q3 2020 and is now being decommissioned.

LEAG Holding a.s. ("LEAG") is the largest power plant operator in eastern Germany operating an installed capacity of 7,612 MW and is also one of the largest private employers in the region. LEAG is a joint venture controlled by EPH and Gemcol Ltd., a subsidiary of PPF Investments Ltd., and it is consolidated by equity method. Via its subsidiary Lausitz Energie Kraftwerke AG, LEAG operates lignite power plants Jänschwalde, Schwarze Pumpe, Boxberg and block R of the Lippendorf power plant. LEAG is also expanding its business areas into future-oriented energy technologies in the fields of renewable energy and electricity storage. Currently, an electricity storage facility with a capacity of 53 MW was completed in December 2020 at the Schwarze Pumpe site. The company Transport- und Speditionsgesellschaft Schwarze Pumpe mbH, is a full-service provider for logistics, material and warehouse management. The planning and service company GMB GmbH provides industrial services in the fields of mining, engineering as well as electricity and heat generation.

THE UK

EP Langage Limited is a gas-fired power station located near Plymouth, Devon. Construction of the site started in 2008 and was commissioned in 2010. The total site capacity is 905 MW. The high-pressure steam system enables market leading efficiency (51.5%), its flexible design is capable of 2-shift operation and low minimum load, enhancing plant option value, and the 2 to 1 configuration provides increased flexibility to the National Grid, the UK's high voltage electricity transmission network, for alternative services helping grid stability. A significant part of the gross margin comes from fixed capacity market contracts.

EP SHB Limited is a gas-fired power station located near Stallingborough. The total installed capacity of the power plant is 1,365 MW. The site consists of Phase 1 and Phase 2, which are separate power plants with one combined cooling systems and flexible design capable of 2-shift operation and minimum load, enhancing plant option value. A significant part of the gross margin comes from fixed capacity market contracts.

EP Kilroot Limited is a coal-fired power station located in Northern Ireland with the total capacity of 665 MW including 141 MW OCGT unit and 10 MW battery storage facility. Coal units in the Kilroot plant are expected to be decommissioned in September 2023. The Group already started construction of new OCGT unit on the Kilroot brownfield site supported by already awarded capacity contracts further there is opportunity for further development including additional battery storage.

EP Ballylumford Limited is a power station located in Northern Ireland with a total capacity of 683 MW and operates a mix of flexible gas fired CCGT and distillate fired OCGT units. The highly flexible CCGT can operate in several different modes and has the lowest minimum generation for CCGT on the Irish market. Currently, it is fully contracted under PPA (Power Purchase Agreement) with the Power Procurement Board until September 2023.

Humbly Grove Energy Limited owns and operates an underground gas storage facility in Hampshire, UK with capacity of 2.7 TWh of gas.

IRELAND

Tynagh Energy Limited is a power producer in the Republic of Ireland that owns 384 MW CCGT power plant (dual fuel natural gas and distillate) in east County Galway. The plant was commissioned in 2006 and its estimated life span is approximately 30 years. The power plant is in a unique position of being the only independent CCGT plant on the Irish market and provides a flexible daily electricity production to the wholesale electricity market.

Mining

The Mining part of the segment is represented by companies operating in Germany.

Mitteldeutsche Braunkohlengesellschaft ("MIBRAG") has its activities focused on the south of Saxony-Anhalt region, where it operates Profen open-cast mine, and in Saxony, where it operates Schleenhein open-cast mine. The produced lignite is supplied to power plants under long-term supply agreements. Two biggest customers are Lippendorf and Schkopau power plants. MIBRAG is the sole shareholder of companies GALA-MIBRAG-Service GmbH, Bohr- und Brunnenbau GmbH, MIBRAG Consulting International GmbH and MIBRAG Neue Energie GmbH. The company holds shares in three other entities offering a wide range of services from energy generation, landscaping to civil engineering, disposal and mine engineering services.

At equity accounted Lausitz Energie Bergbau AG ("LEAG") operates four Lusatian opencast mines Jänschwalde, Welzow-Süd, Nochten and Reichwalde. They produce around 40 million tonnes of lignite per year to supply the power plants Jänschwalde, Schwarze Pumpe and Boxberg as well as the refining plant Schwarze Pumpe. Briquettes, pulverized lignite and fluidized-bed lignite are processed from the raw material here. The lignite is transported using the company's own central railway network, which is 360 km long.

THE CZECH REPUBLIC

EP Commodities, a.s. ("EPC") specializes in trading of energy commodities, transit and storage capacities. EPC deals with transactions in natural gas, power, emissions allowances and structural products like spreads across Europe. EPC focuses on countries where the EPH Group has its assets, or where liquidity enables efficient trading. Besides physical trading, EPC realizes financial hedging of assets as well as sourcing portfolio of end-users in EPH Group companies.

SWITZERLAND

EP Resources AG, located in Switzerland, with offices in Singapore and Germany, handles the procurement of commodities and freight requirements of EPH's power facilities located in Germany, Italy, France and the UK. EP Resources is a growing global franchise across energy, leveraging EPH's in-house demand to offer global clients a portfolio of trading, marketing, freight and logistic services across commodities and freight and thereby adding value to global clients.

RENEWABLE ENERGY

GERMANY

In 2010, MIBRAG Neue Energie GmbH put into operation the "Am Geyersberg" wind farm on the site of the Schleenhain mine near Groitzsch, Saxony, with a total installed capacity of 6.9 MW. The wind farm consists of 3 Siemens wind turbines. The company strives for further development of wind power in area of surface mines owned by MIBRAG.

THE UK

In 2016, EP UK Investments Ltd ("EPUKI") acquired Lynemouth Power Limited, the owner and operator of a coal-fired power station in Northumberland (original coal-fired installed capacity 420 MW). Lynemouth holds a Contract for Difference contract for full biomass conversion and EPUKI has progressed this, including managing the construction, fuel supply and financing workstreams. The biomass conversion has incurred capital expenditure in excess of GBP 350 million and it was commissioned in autumn 2019. Lynemouth is the largest 100% biomass fired power station in the UK with net installed capacity of 405 MW.

ITALY

The biomass-fired power plant Strongoli, owned and operated by Biomasse Italia S.p.A., acquired by EP New Energy Italia S.r.l. in December 2017, is situated in the central-eastern part of Calabria. With a total capacity of 46 MW, it is one of the most modern biomass-fired power plants in Europe. The plant is mainly fuelled with biomass made of wood chips, derived from forest maintenance and agro-food residuals coming from local and national markets.

The biomass-fired power plant Crotone, owned and operated by Biomasse Crotone, acquired by EP New Energy Italia S.r.l. in December 2017, is situated in the central-eastern part of Calabria. Crotone is a biomass-fired power plant with a total capacity of 27 MW. The plant is mainly fuelled with biomass made of wood chips, derived from forest maintenance and agro-food residuals coming from local and national markets.

Fusine Energia operates a biomass power plant in Fusine, province of Sondrio, with an installed capacity of 6 MW. This power plant was acquired by EPH Group in February 2019.

FRANCE

Renewable energy portfolio in France comprises six wind farms with total capacity of 84 MW operated by Aerodis, S.A. and Gazel Energie Renouvelables S.A.S., and two solar parks with a total capacity of 11 MW operated by Gazel Energie Solaire S.A.S. All renewable sources in France have their power demand secured by long-term PPA contracts.

EPPE OTHER

EP Power Minerals is a group of entities and joint ventures providing building material substitutes and abrasives derived from ashes as by-products of coal fired power plants. In addition, waste management solutions are provided. The headquarters are located in Dinslaken (Germany). Operations of the entity are located mainly in Germany, with branches located also in Poland, the UK and Asia.

THE REST OF EPH GROUP

EPH OTHER

The segment EPH Other consists of companies which are not managed within EPIF or EPPE Group.

The main entity within this segment is Slovenské elektrárne, a.s. and its subsidiaries, consolidated by equity method with 33% share of the Group. Slovenské elektrárne, a.s. is the largest electricity producer in the Slovak Republic, operating two nuclear, two coal-fired, 31 hydroelectric and two photovoltaic power plants, generating 64% of the country's total electricity production. With a net installed capacity of 3,873 MW, it is one of the largest electricity producers in Central and Eastern Europe. Its unique portfolio enables it to produce almost 95% of electricity without greenhouse gases, avoiding 16 million tons of carbon dioxide emissions every year. The company is currently completing units 3 and 4 of the Mochovce Nuclear Power Plant, which is one of only three nuclear power plant constructions currently underway in Europe.

Other entities in this segment primarily include EP Cargo Deutschland GmbH, EP CARGO POLSKA, S.A., Lokotrain s.r.o., LOCON Logistik & Consulting AG, EP Cargo Trucking Group and SPEDICA Group, which arrange complex logistical solutions for other Group segments as well as for third parties.

HOLDING ENTITIES

The Holding entities segment is mainly represented by Energetický a průmyslový holding, a.s., EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s., Czech Gas Holding Investment B.V., EP Power Europe, a.s., EPPE Germany a.s., LEAG Holding, a.s., EP New Energy Italia S.r.l., EP France S.A.S., EP Yuzivska B.V., EP Slovakia B.V., and Slovak Power Holding B.V.

The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries and associates.

Operating segments

PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR

	EPIF Group					EPPE Group							
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Revenues: Energy and related services	563	2,076	251	375	5	15,285	661	24	-	19,240	-	(838)	18,402
external revenues	*334*	*1,806*	*212*	*179*	*5*	*15,181*	*661*	*24*	-	*18,402*	-	-	*18,402*
of which: electricity	-	*1,211*	-	*36*	*5*	*8,659*	*661*	-	-	*10,572*	-	-	*10,572*
gas	*334*	*595*	*212*	-	-	*6,289*	-	-	-	*7,430*	-	-	*7,430*
heat	-	-	-	*143*	-	*3*	-	-	-	*146*	-	-	*146*
coal	-	-	-	-	-	*217*	-	-	-	*217*	-	-	*217*
other energy products	-	-	-	-	-	*13*	-	*24*	-	*37*	-	-	*37*
inter-segment revenues	*229*	*270*	*39*	*196*	-	*104*	-	-	-	*838*	-	*(838)*	-
Revenues: Logistics and freight services	-	-	-	28	-	704	-	-	158	890	-	(29)	861
external revenues	-	-	-	*23*	-	*704*	-	-	*134*	*861*	-	-	*861*
inter-segment revenues	-	-	-	*5*	-	-	-	-	*24*	*29*	-	*(29)*	-
Revenues: Other	-	8	3	6	5	251	6	36	18	333	5	(18)	320
external revenues	-	*8*	-	*6*	*5*	*247*	*6*	*36*	*10*	*318*	*2*	-	*320*
inter-segment revenues	-	-	*3*	-	-	*4*	-	-	*8*	*15*	*3*	*(18)*	-
Gain (loss) from commodity and freight derivatives, net	-	(59)	-	-	-	(593)	-	-	-	(652)	-	-	(652)
Total revenues	**563**	**2,025**	**254**	**409**	**10**	**15,647**	**667**	**60**	**176**	**19,811**	**5**	**(885)**	**18,931**
Purchases and consumables: Energy and related services	(36)	(1,366)	(26)	(124)	-	(12,866)	(357)	(19)	(18)	(14,812)	-	870	(13,942)
external purchases and consumables	*(30)*	*(803)*	*(23)*	*(106)*	-	*(12,592)*	*(357)*	*(19)*	*(12)*	*(13,942)*	-	-	*(13,942)*
inter-segment purchases and consumables	*(6)*	*(563)*	*(3)*	*(18)*	-	*(274)*	-	-	*(6)*	*(870)*	-	*870*	-
Purchases and consumables: Other	-	(1)	(2)	(11)	(2)	(694)	(56)	(23)	(75)	(864)	-	8	(856)
external purchases and consumables	-	*(1)*	*1*	*(11)*	*(2)*	*(691)*	*(56)*	*(23)*	*(75)*	*(858)*	*2*	-	*(856)*
inter-segment purchases and consumables	-	-	*(3)*	-	-	*(3)*	-	-	-	*(6)*	*(2)*	*8*	-
Total purchases and consumables	**(36)**	**(1,367)**	**(28)**	**(135)**	**(2)**	**(13,560)**	**(413)**	**(42)**	**(93)**	**(15,676)**	**-**	**878**	**(14,798)**
Personnel expenses	(29)	(111)	(33)	(44)	(2)	(284)	(20)	(7)	(29)	(559)	(16)	-	(575)
Depreciation and amortisation	(116)	(226)	(31)	(52)	(3)	(203)	(81)	(5)	(25)	(742)	-	-	(742)
Repairs and maintenance	(1)	(4)	-	(18)	-	(65)	(8)	(1)	(9)	(106)	-	-	(106)
Emission rights, net	(2)	(1)	(1)	(125)	-	(710)	1	-	-	(838)	-	-	(838)
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes and charges	(1)	(1)	(2)	(1)	-	(105)	(2)	-	(1)	(113)	(1)	-	(114)
Other operating income	1	17	-	41	-	119	21	2	19	220	5	(22)	203
Other operating expenses	(19)	(58)	(10)	(24)	(1)	(266)	(54)	(6)	(28)	(466)	(31)	29	(468)
Own work, capitalized	3	21	-	2	-	3	-	-	-	29	-	-	29
Profit (loss) from operations	**363**	**295**	**149**	**53**	**2**	**576**	**111**	**1**	**10**	**1,560**	**(38)**	**-**	**1,522**

Operating segments

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

In millions of EUR

	EPIF Group					EPPE Group							
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Finance income	1	3	2	3	-	20	-	4	23	56	*899	*(845)	110
external finance revenues	*1*	*1*	*1*	*2*	-	*(3)*	-	*4*	*6*	*12*	*98*	-	*110*
inter-segment finance revenues	-	*2*	*1*	*1*	-	*23*	-	-	*17*	*44*	**801*	**(845)*	-
Finance expense	(31)	(12)	(5)	(3)	(1)	(38)	(11)	1	(19)	(119)	(130)	76	(173)
Gain (loss) from financial instruments	14	(2)	(2)	2	(2)	-	(8)	-	-	2	6	(1)	7
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	4	(55)	-	-	52	1	(1)	(8)	(8)
Gain (loss) on disposal of subsidiaries, joint ventures and associates	-	-	-	-	-	1	-	-	-	1	32	-	33
Profit (loss) before income tax	**347**	**284**	**144**	**55**	**3**	**504**	**92**	**6**	**66**	**1,501**	***768**	***(778)**	**1,491**
Income tax expenses	(86)	(70)	(34)	(9)	-	(30)	(21)	(2)	(4)	(256)	(8)	-	(264)
Profit (loss) for the year	**261**	**214**	**110**	**46**	**3**	**474**	**71**	**4**	**62**	**1,245**	***760**	***(778)**	**1,227**

* EUR 769 million is attributable to intra-group dividends primarily recognised by Czech Gas Holding Investment B.V., SPP Infrastructure, a.s., EP Energy, a.s., EP New Energy Italia S.r.l. and EP Power Europe, a.s.

Other financial information:													
Underlying EBITDA(1)	479	521	180	105	5	779	192	6	35	2,302	(38)	-	2,264

(1) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, gain (loss) from derivative financial instruments, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures and associates, depreciation of property, plant and equipment, amortisation of intangible assets and negative goodwill.

Operating segments

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	EPIF Group					EPPE Group							
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Revenues: Energy and related services	744	1,702	293	543	5	4,340	529	-	2	8,158	-	(290)	7,868
external revenues	*720*	*1,663*	*254*	*457*	*5*	*4,238*	*529*	-	*2*	*7,868*	-	-	*7,868*
of which: electricity	-	*1,107*	-	*132*	*5*	*3,349*	*524*	-	-	*5,117*	-	-	*5,117*
gas	*720*	*556*	*254*	-	-	*671*	-	-	-	*2,201*	-	-	*2,201*
heat	-	-	-	*325*	-	*3*	-	-	*1*	*329*	-	-	*329*
coal	-	-	-	-	-	*210*	-	-	-	*210*	-	-	*210*
other energy products	-	-	-	-	-	*5*	*5*	-	*1*	*11*	-	-	*11*
inter-segment revenues	*24*	*39*	*39*	*86*	-	*102*	-	-	-	*290*	-	*(290)*	-
Revenues: Logistics and freight services	-	-	-	17	-	161	-	-	122	300	-	(20)	280
external revenues	-	-	-	*11*	-	*161*	-	-	*108*	*280*	-	-	*280*
inter-segment revenues	-	-	-	*6*	-	-	-	-	*14*	*20*	-	*(20)*	-
Revenues: Other	-	7	-	14	6	137	21	-	130	315	4	(11)	308
external revenues	-	*7*	-	*13*	*5*	*136*	*21*	-	*124*	*306*	*2*	-	*308*
inter-segment revenues	-	-	-	*1*	*1*	*1*	-	-	*6*	*9*	*2*	*(11)*	-
Gain (loss) from commodity and freight derivatives, net	-	8	-	-	-	66	-	-	-	74	-	1	75
Total revenues	**744**	**1,717**	**293**	**574**	**11**	**4,704**	**550**	**-**	**254**	**8,847**	**4**	**(320)**	**8,531**
Purchases and consumables: Energy and related services	(24)	(995)	(33)	(284)	-	(3,118)	(292)	-	(13)	(4,759)	-	289	(4,470)
external purchases and consumables	*(22)*	*(770)*	*(25)*	*(272)*	-	*(3,078)*	*(292)*	-	*(11)*	*(4,470)*	-	-	*(4,470)*
inter-segment purchases and consumables	*(2)*	*(225)*	*(8)*	*(12)*	-	*(40)*	-	-	*(2)*	*(289)*	-	*289*	-
Purchases and consumables: Other	-	(1)	1	(21)	(3)	(186)	(70)	-	(165)	(445)	-	20	(425)
external purchases and consumables	-	*(1)*	*1*	*(21)*	*(3)*	*(171)*	*(70)*	-	*(160)*	*(425)*	-	-	*(425)*
inter-segment purchases and consumables	-	-	-	-	-	*(15)*	-	-	*(5)*	*(20)*	-	*20*	-
Total purchases and consumables	**(24)**	**(996)**	**(32)**	**(305)**	**(3)**	**(3,304)**	**(362)**	**-**	**(178)**	**(5,204)**	**-**	**309**	**(4,895)**
Personnel expenses	(30)	(108)	(31)	(66)	(1)	(339)	(19)	-	(27)	(621)	(14)	-	(635)
Depreciation and amortisation	(130)	(220)	(31)	(76)	(3)	(230)	(78)	-	(15)	(783)	-	-	(783)
Repairs and maintenance	(1)	(4)	-	(13)	-	(53)	(7)	-	(7)	(85)	-	-	(85)
Emission rights, net	(2)	-	-	(73)	-	(326)	-	-	-	(401)	-	-	(401)
Negative goodwill	-	-	-	-	-	9	-	-	-	9	-	-	9
Taxes and charges	(1)	(1)	(2)	(4)	-	(116)	(2)	-	(1)	(127)	(1)	-	(128)
Other operating income	3	16	-	44	2	81	2	-	15	163	3	(19)	147
Other operating expenses	(14)	(54)	(10)	(27)	(5)	(245)	(39)	-	(30)	(424)	(30)	32	(422)
Own work, capitalized	3	21	-	11	-	3	-	-	-	38	-	-	38
Profit (loss) from operations	**548**	**371**	**187**	**65**	**1**	**184**	**45**	**-**	**11**	**1,412**	**(38)**	**2**	**1,376**

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

In millions of EUR

	EPIF Group					EPPE Group							
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Finance income	1	3	2	3	-	20	-	4	23	56	*899	*(845)	110
external finance revenues	*1*	*1*	*1*	*2*	-	*(3)*	-	*4*	*6*	*12*	*98*	-	*110*
inter-segment finance revenues	-	*2*	*1*	*1*	-	*23*	-	-	*17*	*44*	**801*	**(845)*	-
Finance expense	(31)	(12)	(5)	(3)	(1)	(38)	(11)	1	(19)	(119)	(130)	76	(173)
Gain (loss) from financial instruments	14	(2)	(2)	2	(2)	-	(8)	-	-	2	6	(1)	7
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	4	(55)	-	-	52	1	(1)	(8)	(8)
Gain (loss) on disposal of subsidiaries, joint ventures and associates	-	-	-	-	-	1	-	-	-	1	32	-	33
Profit (loss) before income tax	**501**	**359**	**182**	**169**	**1**	**277**	**43**	**-**	**(7)**	**1,525**	***1,435**	***(984)**	**1,976**
Income tax expenses	(128)	(91)	(43)	(13)	-	(41)	(11)	-	(2)	(329)	9	-	(320)
Profit (loss) for the year	**373**	**268**	**139**	**156**	**1**	**236**	**32**	**-**	**(9)**	**1,196**	***1,444**	***(984)**	**1,656**

* EUR 984 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s. EP Power Europe, a.s. and EP Energy, a.s.

Other financial information:													
Underlying EBITDA(1)	678	591	218	141	4	405	123	-	26	2,186	(38)	2	2,150

(1) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, gain (loss) from derivative financial instruments, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures and associates, depreciation of property, plant and equipment, amortisation of intangible assets and negative goodwill.

UNDERLYING EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE

The underlying EBITDA reconciles to the profit as follows:

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Underlying EBITDA	**479**	**521**	**180**	**105**	**5**	**779**	**192**	**6**	**35**	**2,302**	**(38)**	**-**	**2,264**
Depreciation and amortisation	(116)	(226)	(31)	(52)	(3)	(203)	(81)	(5)	(25)	(742)	-	-	(742)
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance income	1	3	2	3	-	20	-	4	23	56	899	(845)	110
Finance expense	(31)	(12)	(5)	(3)	(1)	(38)	(11)	1	(19)	(119)	(130)	76	(173)
Gain (loss) from financial instruments	14	(2)	(2)	2	(2)	-	(8)	-	-	2	6	(1)	7
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	4	(55)	-	-	52	1	(1)	(8)	(8)
Gain (loss) on disposal of subsidiaries	-	-	-	-	-	1	-	-	-	1	32	-	33
Income tax	(86)	(70)	(34)	(9)	-	(30)	(21)	(2)	(4)	(256)	(8)	-	(264)
Profit for the year	**261**	**214**	**110**	**46**	**3**	**474**	**71**	**4**	**62**	**1,245**	**760**	**(778)**	**1,227**

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Underlying EBITDA	**678**	591	218	141	4	**405**	123	-	**26**	2,186	(38)	2	2,150
Depreciation and amortisation	(130)	(220)	(31)	(76)	(3)	(230)	(78)	-	(15)	(783)	-	-	(783)
Negative goodwill	-	-	-	-	-	9	-	-	-	9	-	-	9
Finance income	1	3	2	2	-	24	4	-	17	53	1,064	(1,080)	37
Finance expense	(40)	(17)	(6)	21	(1)	(41)	(14)	-	(19)	(117)	(250)	88	(279)
Gain (loss) from financial instruments	(8)	2	(1)	2	-	7	8	-	(41)	(31)	(46)	6	(71)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	1	67	-	-	22	90	-	-	90
Gain (loss) on disposal of subsidiaries	-	-	-	79	-	36	-	-	3	118	705	-	823
Income tax	(128)	(91)	(43)	(13)	-	(41)	(11)	-	(2)	(329)	9	-	(320)
Profit for the year	373	268	139	156	1	236	32	-	(9)	1,196	1,444	(984)	1,656

SEGMENT ASSETS AND LIABILITIES

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Reportable segment assets	4,360	6,189	861	872	26	12,716	984	164	699	26,871	3,536	(5,218)	25,189
Reportable segment liabilities	(2,646)	(2,370)	(402)	(383)	(14)	(11,743)	(458)	(105)	(574)	(18,695)	(6,809)	5,218	(20,286)
Additions to tangible and intangible assets[1]	34	104	12	150	-	551	7	11	15	884	-	-	884
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	25	83	9	34	-	271	7	8	4	441	-	-	441
Equity accounted investees	-	1	-	-	-	934	16	-	-	951	-	-	951

(1) This balance includes additions to right of use assets, emission rights and goodwill.

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Reportable segment assets	4,413	[2]5834	959	819	29	5,265	878	-	841	19,038	2,655	(3,641)	18,052
Reportable segment liabilities	(2,383)	(1,963)	(517)	(329)	(17)	(4,585)	(560)	-	(596)	(10,950)	(5,356)	3,641	(12,665)
Additions to tangible and intangible assets[1]	45	88	9	134	-	513	6	-	81	876	-	-	876
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	40	84	9	74	-	162	6	-	29	404	-	-	404
Equity accounted investees	-	1	-	-	1	790	16	-	194	1,002	-	-	1,002

(1) This balance includes additions to right of use assets, emission rights and goodwill.
(2) Gas distribution pipelines held by Gas and power distribution segment were revalued to their fair value in 2020.

INFORMATION ABOUT GEOGRAPHICAL AREAS

In presenting information on the basis of geography, segment revenue is based on geographical location of delivery of goods and services and segment assets are based on the geographical location of the assets.

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total
Property, plant and equipment	753	9,051	680	402	860	90	95	-	-	11,931
Intangible assets and goodwill	264	35	75	27	38	15	66	-	-	520
Investment property	3	-	-	-	19	-	-	-	-	22
Total	**1,020**	**9,086**	**755**	**429**	**917**	**105**	**161**	**-**	**-**	**12,473**

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total
Revenues: Electricity	651	821	1,233	2,654	2,308	311	1,782	-	812	10,572
Revenues: Gas	328	958	383	207	1,279	568	166	80	3,461	7,430
Revenues: Coal	-	-	211	-	-	-	6	-	-	217
Revenues: Heat	143	-	3	-	-	-	-	-	-	146
Revenues: Other energy products	5	-	21	(16)	8	-	-	-	19	37
Revenues: Logistics and freight services	79	3	72	22	103	-	1	1	580	861
Revenues: Other	40	16	140	1	34	2	12	2	73	320
Gain (loss) from commodity and freight derivatives, net	2	68	1,560	(435)	(674)	(38)	(1,028)	-	(107)	(652)
Total	**1,248**	**1,866**	**3,623**	**2,433**	**3,058**	**843**	**939**	**83**	**4,838**	**18,931**

The geographical area “Other” comprises income items primarily from Luxembourg, Switzerland and Poland.(1)

(1) Revenues from Luxembourg and Switzerland include mainly derivative transactions on energy exchanges.

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total
Property, plant and equipment	730	9,263	647	396	856	100	102	-	-	12,094
Intangible assets and goodwill	178	34	34	39	80	6	53	-	-	424
Investment property	3	-	-	-	-	-	-	-	-	3
Total	**911**	**9,297**	**681**	**435**	**936**	**106**	**155**	**-**	**-**	**12,521**

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total
Revenues: Electricity	356	802	484	1,242	1,146	101	635	46	305	5,117
Revenues: Gas	175	908	199	54	349	2	124	77	313	2,201
Revenues: Heat	265	-	3	-	-	-	-	60	1	329
Revenues: Coal	-	-	208	(1)	-	-	3	-	-	210
Revenues: Other energy products	1	-	-	5	5	-	-	-	-	11
Revenues: Logistics and freight services	46	3	69	2	3	-	-	1	156	280
Revenues: Other	58	13	120	-	10	2	13	1	91	308
Gain (loss) from commodity and freight derivatives, net	66	16	45	(2)	33	-	(88)	1	4	75
Total	**967**	**1,742**	**1,128**	**1,300**	**1,546**	**105**	**687**	**186**	**870**	**8,531**

The geographical area “Other” comprises income items primarily from Switzerland and Luxembourg.(1)

(1) Revenues from Switzerland and Luxembourg include mainly derivative transactions on energy exchanges.

6. Acquisitions and disposals of subsidiaries, joint-ventures and associates

A ACQUISITIONS AND STEP ACQUISITIONS

I. 31 DECEMBER 2021

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries			
Zeterano a.s.	04/02/2021	70	70
EP Power Minerals GmbH, its subsidiaries, associates and joint ventures (“EP Power Minerals Group”)	31/05/2021	100	100
Dobrá Energie s.r.o.	01/07/2021	100	100
Kraftwerk Schkopau GbR and Kraftwerk Schkopau Betriebsgesellschaft mbH (“Kraftwerk Schkopau”)	01/10/2021	58.1 /55.6	100
Tourbus, a.s. and its subsidiaries (“Tourbus”)	22/12/2021	100	100

On 4 February and 5 February 2021, the Group via its subsidiary EP Real Estate, a.s. acquired it two steps 70% share in Zeterano a.s. The acquired assets and assumed liabilities of Zeterano a.s. were immaterial and no goodwill or negative goodwill was recognized on the transaction. On 22 December 2021, the Group acquired via same subsidiary also 100% share in Tourbus, a.s. The acquired assets and assumed liabilities of Tourbus, a.s. were immaterial and no goodwill or negative goodwill was recognized on the transaction.

EP POWER MINERALS GROUP

On 31 May 2021, the Group through its subsidiary EP Power Europe, a.s. (“EPPE”) completed a successful closing of the acquisition of EP Power Minerals GmbH (“EPPM”; renamed from STEAG Power Minerals GmbH after the acquisition) from STEAG. EPPM is a European leader in the provision of the power plant by-products (especially fly ash and FGD gypsum) and expendable blasting single use abrasives and also provides broad range of waste management services. With this acquisition, EPPE aims to strengthen its position in the field of sustainable development and environmentally friendly solutions which are important goals in EPPE’s long-term strategy.

DOBRÁ ENERGIE S.R.O.

On 1 July 2021, the Group through EP ENERGY TRADING, a.s. completed an acquisition of 100% shares in Dobrá Energie s.r.o. (“DE”) in exchange for a cash consideration of EUR 22 million. DE is a Czech based entity that primarily owns a supply portfolio of natural gas and power retail customers.

KRAFTWERK SCHKOPAU

On 1 October 2021, based on the agreement with Uniper from February 2020, the Group through its subsidiary Saale Energie GmbH (“Saale”) acquired remaining 58.1% interest in Kraftwerk Schkopau GbR and remaining 55.6% interest in Kraftwerk Schkopau Betriebsgesellschaft mbH and became the sole owner. As a result of the transaction, the Group has gained control over both companies. The Group therefore ceased to apply the equity method over the entities and from 1 October 2021 includes them in the consolidated financial statements of the Group applying the full method of consolidation. With its net output of 900 MW, the Schkopau lignite fired power plant represents a fundamental part of the central German energy supply and primarily acts as an industrial power plant supplying specialized railway power to Deutsche Bahn and process steam for an adjacent chemical park. As such, by this acquisition EPH further expands its activities in supplies to industrial customers. This acquisition constitutes a stable link between lignite production and power generation, ensuring reliable supply for energy intensive industries in central Germany.

ACQUISITION OF NON-CONTROLLING INTEREST

On 30 March 2021, the Group acquired remaining 35% interest in LokoTrain s.r.o. The ownership of the Group increased to 100% as a result of the transaction.

On 4 November 2021, the Group acquired through subsidiary SPEDICA GROUP COMPANIES, s.r.o. (“SGC”) remaining 33% interest in SPEDICA LOGISTIC, s.r.o. The ownership of SGC in SPEDICA LOGISTIC, s.r.o. increased to 100% as a result of the transaction and effective ownership of the Group increased to 83.63%.

On 16 December 2021, the companies Střelničná reality s.r.o., Malešice Reality s.r.o., Zálesí Reality s.r.o., EPRE Reality s.r.o. and Power Reality s.r.o. were transferred from EP Energy, a.s. to EP Real Estate, a.s. The effective ownership of the Group increased from 69% to 100% as a result of the transaction.

These transactions resulted in derecognition of non-controlling interest in total amount of EUR 5 million.

II. 31 DECEMBER 2020

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries			
Humbly Grove Energy Limited and its subsidiary (“Humbly Grove”)	20/03/2020	100	100
Kinet s.r.o. and its subsidiary (“Kinet”)	21/10/2020	80	80

HUMBLY GROVE ENERGY LIMITED

On 20 March 2020, EP UK Investments Limited (“EPUKI”), a subsidiary of EP Power Europe, a.s., acquired Humbly Grove Energy Limited (“Humbly Grove” or “HGEL”) from PETRONAS Energy Trading Limited. Humbly Grove owns and operates an underground gas storage facility in Hampshire, UK. With this acquisition, the EPH Group adds further to its portfolio of underground gas storage facilities, which it currently owns in the Czech Republic, Slovakia and Germany.

KINET S.R.O.

On 21 October 2020, the Group via its subsidiary Stredoslovenská distribučná, a.s. acquired 80% share in Kinet s.r.o. for EUR 3.3 million. The net assets of the company at the date of acquisition were EUR 2.8 million.

OTHER ACQUISITIONS

During 2020, the EPIF Group acquired 100% share (69% effective share of EPH Group) in companies Lirostana s.r.o., Zálesí Reality s.r.o., Malešice Reality s.r.o., Power Reality s.r.o., EPRE Reality s.r.o. and Střelničná reality s.r.o. for total consideration of EUR 0.04 million (CZK 1.2 million).

ACQUISITION OF NON-CONTROLLING INTEREST

On 16 January 2020, the EP Energy, a.s. acquired remaining 36% interest in VTE Pchery, s.r.o. Effectively the Group increased its shareholding interest in VTE Pchery, s.r.o. from 44.16% to 69%.

On 28 July 2020, EP Logistics International, a.s. acquired additional 16.3% interest in SPEDICA GROUP COMPANIES, s.r.o. As a result of this transaction, the Group increased its interest is SGC and its subsidiaries from 67.33% to 83.63%; interest in subsidiary SPEDICA LOGISTIC, s.r.o. effectively increased from 45.11% to 56.03%.

B EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2021

SUBSIDIARIES

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of EP Power Minerals Group, Dobrá Energie s.r.o., Kraftwerk Schkopau and Tourbus are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustments	2021 Total(1)
Property, plant, equipment, land, buildings	61	49	110
Intangible assets	2	27	29
Trade receivables and other assets	196	(66)	130
Financial instruments – assets	37	-	37
Inventories	21	-	21
Cash and cash equivalents	23	-	23
Deferred tax asset	12	(1)	11
Provisions	(99)	(3)	(102)
Deferred tax liabilities	(3)	(10)	(13)
Loans and borrowings	(2)	-	(2)
Contract liabilities	(4)	-	(4)
Trade payables and other liabilities	(147)	66	(81)
Net identifiable assets and liabilities	**97**	**62**	**159**
Goodwill on acquisitions of new subsidiaries			25
Cost of acquisition			**184**
Consideration paid, satisfied in cash (A)			111
Consideration, other(2)			73
Total consideration transferred			**184**
Less: Cash acquired (B)			23
Net cash inflow (outflow) (C) = (B – A)			**(88)**

(1) Represents values at 100% share.
(2) Consideration other represents fair value of the 41.9% of previously recognized share in Kraftwerk Schkopau of EUR 60 million and receivable of Saale Energie GmbH towards the seller arising from transfer of pension liabilities and related pension assets of EUR 13 million that was offset with the purchase price in acquisition of Kraftwerk Schkopau.

The table does not include the effects from the acquisition of Zeterano a.s. as the effects are immaterial

II. 31 DECEMBER 2020

SUBSIDIARIES

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Humbly Grove are provided in the following table.

In millions of EUR

	Carrying amount[1]	Fair value adjustment	2020 Total
Property, plant, equipment, land, buildings	83	(37)	46
Inventories	1	-	1
Trade receivables and other assets	2	-	2
Financial instruments – assets	3	-	3
Cash and cash equivalents	3	-	3
Provisions	(33)	5	(28)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(8)	-	(8)
Net identifiable assets and liabilities	**49**	**(32)**	**17**
Negative goodwill on acquisition of new subsidiaries			(9)
Cost of acquisition			**8**
Consideration paid, satisfied in cash (A)			8
Total consideration transferred			**8**
Less: Cash acquired (B)			3
Net cash inflow (outflow) (C) = (B – A)			**(5)**

(1) Represents values at 100% share.

The table does not include the effect from the acquisition of Kinet as the effect are immaterial. The Group recognized a non-controlling interest of EUR 1 million as a result of the acquisition of Kinet.

For details on major acquisitions please refer also to Appendix 1 – Business combinations.

III. RATIONALE FOR ACQUISITIONS

The Group's strategic rationale for realised acquisitions comprised several factors, including:

- The subsidiaries' businesses are complementary to EPH's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;
- Subject industries are expected to grow in the future;
- Further vertical integration of the trading activities with the generation activities, i.e. securing coal and gas supplies for own coal and gas fired plants.

As further expansion in energy sectors of the countries in which the Group currently has operations is one of the strategic aims of the Group, EPH is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position and become an important participant in the energy market in the Central and Western Europe.

The Group's view is that there is long-term strategic value in these investments due to the development of the market.

In 2021, the Group recognized goodwill of EUR 22 million from the acquisition of EP Power Minerals Group and EUR 3 million from the acquisition of Kraftwerk Schkopau.

In 2020, the Group recognized negative goodwill of EUR 9 million from the acquisition of Humbly Grove.

Gain on a bargain purchase from the acquisition of Humbly Grove is result of potential of assets for the Group in connection with other businesses within Group. Seller on the other hand considered the asset to be marginal business out of its focus.

The Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combinations; consistent results were obtained in respect of negative goodwill.

The following table provides information on revenues and profit or loss of acquirees that have been included in the consolidated statement of comprehensive income for the reporting period.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date[1]	513
Profit (loss) of the acquirees recognised since the acquisition date[1]	(24)

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

In millions of EUR

	2020 Total
Revenue of the acquirees recognised since the acquisition date	18
Profit (loss) of the acquirees recognised since the acquisition date	(3)

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2021 or as at 1 January 2020); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*(1)	839
Profit (loss) of the acquires recognised in the year ended 31 December 2021*(1)	(15)

In millions of EUR

	2020 Total
Revenue of the acquirees recognised in the year ended 31 December 2020*	17
Profit (loss) of the acquires recognised in the year ended 31 December 2020*	1

* Before intercompany elimination; based on local statutory financial information.

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

For details on major acquisitions please refer also to Appendix 1 – Business combinations.

C BUSINESS COMBINATIONS – ACQUISITION ACCOUNTING 2021 AND 2020

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the parent company Energetický a průmyslový holding, a.s. (except for acquisitions under common control, which are carried in net book values); in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes was performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which also involves certain estimates and approximations such as business plan forecasts, useful life of assets, and the weighted average cost of capital components). Any prospective information that may impact the future value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail at the time.

The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

Purchase price allocation was performed for all business combinations within the scope of IFRS 3.

Acquisitions and disposals of subsidiaries, joint ventures and associates

Fair value adjustments resulting from business combinations in 2021 are presented in the following table:

In millions of EUR

	Property, plant and equipment	Intangible assets	Trade receivables and other assets	Provisions	Trade payables and other liabilities	Deferred tax asset/ liability	Total net effect on financial position
Subsidiary							
EP Power Minerals Group	6	-	-	(3)	-	(1)	**2**
Dobrá Energie s.r.o.	-	27	-	-	-	(5)	**22**
Kraftwerk Schkopau	43	-	(66)	-	66	(5)	**38**
Total	**49**	**27**	**(66)**	**(3)**	**66**	**(11)**	**62**

(1) Represents decrease in deferred tax asset and decrease in deferred tax liability.

The fair value adjustments resulting from the purchase price allocation of Zeterano a.s. and Tourbus were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combination in 2021.

Fair value adjustments resulting from business combinations in 2020 are presented in the following table:

In millions of EUR

	Property, plant and equipment	Provisions	Total net effect on financial position
Subsidiary			
Humbly Grove Energy Limited and its subsidiary	(37)	5	(32)
Total	**(37)**	**5**	**(32)**

D DISPOSAL OF INVESTMENTS

I. 31 DECEMBER 2021

During the year 2021 the Group disposed of its investments in:

In millions of EUR

	Date of disposal	Equity interest disposed %
Subsidiaries and associates disposed		
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	29/01/2021	38.93
Mining Services and Engineering Sp. z o.o.	29/01/2021	100
Claymore Equity, s.r.o. v likvidácii	16/04/2021	69
Sedilas enterprises limited	30/06/2021	100
WOOGEL LIMITED	30/06/2021	25
PT Holding Investment B.V.	30/09/2021	69

On 29 January 2021, the Group disposed 100% interest in Mining Services and Engineering Sp. z o.o. and 38.93% interest in Przedsiebiorstwo Górnicze SILESIA Sp. z o.o., which were classified under assets and liabilities held for sale. Disposal generated no significant impact on the Group's financial statements.

In April 2021, a liquidation process of Claymore Equity, s.r.o. v likvidácii was completed and entity was dissolved from Commercial Register and deconsolidated without any significant impact on the Group's financial statements.

On 30 June 2021, Sedilas enterprises limited and WOOGEL LIMITED were deconsolidated due to immateriality. The entities were disposed in July 2021.

On 30 September 2021, PT Holding Investment B.V. was deconsolidated due to immateriality.

II. 31 DECEMBER 2020

During the year 2020 the Group disposed of its investments in:

In millions of EUR

	Date of disposal	Equity interest disposed %
Subsidiaries disposed		
Nová Invalidovna, a.s.	12/05/2020	100
PT Properties IV, a.s.	15/05/2020	100
DCR INVESTMENT a.s., v likvidaci	30/06/2020	100
ENERGZET SERVIS a.s.	040/9/2020	69
Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci	30/09/2020	69
CHIFFON ENTERPRISES LIMITED	30/09/2020	69
Kernaman S.A.S.	01/10/2020	100
Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s.	03/11/2020	69
Budapesti Erömü Zrt. and its subsidiary and Energia-pro Zrt.	02/12/2020	65.98
Total		-

On 12 May 2020 and 15 May 2020 respectively, the Group disposed 100% interests in Nová Invalidovna, a.s. and PT Properties IV, a.s., which were classified under assets and liabilities held for sale. The impact on financial statements was EUR 3 million.

On 30 June 2020, in connection with the liquidation process of DCR INVESTMENT a.s., v likvidaci the company was deconsolidated without any significant impact on the Group's financial statements. The investment is currently reported under other financial assets at value expected to be received upon liquidation.

On 30 September 2020, in connection with the liquidation process of Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci the entities were deconsolidated without any significant impact on the Group's financial statements. The impact on financial statements was EUR 20 million due to translation differences recycled from Other comprehensive income to Income statement. The investment is currently reported under other financial assets at value expected to be received upon liquidation.

On 30 September 2020, in connection with the liquidation process of CHIFFON ENTERPRISES LIMITED the entity was deconsolidated without any significant impact on the Group's financial statements. The impact on financial statements was EUR 1 million. The investment is currently reported under other financial assets at value expected to be received upon liquidation.

On 1 January 2020, Gazel Energie Generation S.A.S. transferred selected assets and liabilities related to CCGT power plants to its newly set up 100% subsidiary Kernaman S.A.S. Subsequently on 1 October 2020, the Group disposed 100% in Kernaman S.A.S. The effect of disposal is provided in the table below.

On 3 November 2020, the EPIF Group disposed 100% in Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s. (EPH Group's effective interest was 69%). The effect of disposal is provided in the table below.

On 2 December 2020, the EPIF Group disposed 95.62% in Budapesti Erőmű Zrt. and Energia-pro Zrt. (EPH Group's effective interest was 65.98%). The effect of disposal is provided in the table below.

The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(549)
Intangible assets	(8)
Participation with significant influence	(1)
Trade receivables and other assets	(142)
Financial instruments – assets	(6)
Inventories	(11)
Cash and cash equivalents	(53)
Restricted cash	(4)
Assets held for sale	(1)
Deferred tax asset	(7)
Provisions	60
Deferred tax liabilities	40
Loans and borrowings	10
Trade payables and other liabilities	315
Net identifiable assets and liabilities	**(357)**
Direct non-controlling interest	3
Pricing differences	8
Translation difference recycled to OCI	(27)
Net assets value disposed	**(373)**
Consideration received, satisfied in cash (A)	1,194
Selling price receivable	2
Total consideration received	**1,196**
Less: Cash disposed of (B)	(53)
Net cash inflows (C) = (A – B)	**1,141**
Gain (loss) on disposa[(1)]	**823**
Indirect non-controlling interest	68
Gain (loss) on disposal attributable to non-controlling interest	**244**

(1) Gain (loss) on disposal effect is calculated for intermediate parent company of the subsidiary disposed. The effect of the indirect non-controlling interest is included in line-item Gain (loss) on disposal attributable to non-controlling interest.

For details on major disposals please refer also to Appendix 2 – Disposals of investments.

DISPOSAL OF NON-CONTROLLING INTERESTS

On 31 July 2020, EP Power Europe, a.s. sold 20% share in EP New Energies GmbH ("EPNE") to Lausitz Energie Bergbau AG ("LEB"), a joint venture company in which the Group owns 50% interest. As a result of this transaction, effective ownership interest of the Group in EPNE decreased to 90%. Full method of consolidation of EPNE has not been affected.

7. Revenues

In millions of EUR

	2021	2020
Revenues: Energy and related services		
of which: Electricity	10,572	5,117
Gas	7,430	2,201
Coal	217	210
Heat	146	329
Other energy products	37	11
Total Energy and related services	**18,402**	**7,868**
Revenues: Logistics and freight services	**861**	**280**
Revenues: Other	**320**	**308**
Total Revenues from customers	**19,583**	**8,456**
Gain (loss) from commodity and freight derivatives, net	**(652)**	**75**
Total	**18,931**	**8,531**

For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

Revenues: Energy and related services: Gas include revenues from sale of gas and also revenue from gas transmission of EUR 563 million (2020: EUR 720 million) and from distribution of gas of EUR 437 million (2020: EUR 421 million).

Revenues: Energy and related services: Electricity consists also of sale of electricity of EUR 10,169 million (2020: EUR 4,750 million). The amount of EUR 149 million (2020: EUR 221 million) relates to distribution of electricity.

Revenues from logistics and freight services and other revenues are represented mainly by sales of gypsum, revenues from transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

In 2021 and 2020, no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

Line item "Gain (loss) from commodity and freight derivatives, net" comprises of transactions related mostly to derivatives held for risk management purposes for which hedge accounting documentation under IFRS is however not prepared. This includes measurement of unsettled derivatives to fair value as at the balance sheet date as well as certain reclassification adjustments between gain (loss) from commodity derivatives and revenues from energy and related services related to derivative contract held for risk management purposes, which are reported as trading derivatives according to IFRS requirements. As a result of IFRS treatment, revenues from sale of underlying commodity are measured using fair value of the underlying commodity as at the date of settlement of the derivative contract and difference between contracted price and fair value is included in Gain (loss) from commodity and freight derivatives.

Total revenues less total purchases and consumables are presented in line "Subtotal" in the statement of comprehensive income.

Contract assets and liabilities primarily relate to not invoiced part of fulfilled performance obligation, received payments for services and goods where control over the assets was not transferred to customer and deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers.

Several items of gas equipment (typically connection terminals) were obtained "free of charge" from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to provide services to the customers in the future periods. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

CONTRACT ASSETS AND LIABILITIES

In millions of EUR

	31 December 2021	31 December 2020
Contract assets	37	54
Current	*37*	*54*
Non-current	-	-
Contract liabilities	156	185
Current	*79*	*70*
Non-current	*77*	*115*

The amount of EUR 70 million recognised in current contract liabilities at the beginning of the year has been recognised as revenue during the year 2021.

8. Purchases and consumables

In millions of EUR

	2021	2020
Purchases and consumables: Energy and related services		
Purchase costs of sold gas and other energy products	6,261	1,117
Purchase cost of sold electricity	4,949	2,044
Consumption of fuel and other material	2,454	1,028
Consumption of energy	45	109
Other purchase costs	233	172
Total Energy and related services	**13,942**	**4,470**
Purchases and consumables: Other		
Other cost of goods sold	696	305
Other purchases	101	81
Consumption of material	29	28
Consumption of energy	25	14
Changes in WIP, semi-finished products and finished goods	5	(3)
Total Other	**856**	**425**
Total	**14,798**	**4,895**

Purchases and consumables presented in the above table contain only purchase cost of sold energy and materials consumed in producing energy output, it does not contain directly attributable overhead (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges etc.).

9. Personnel expenses

In millions of EUR

	2021	2020
Wages and salaries	420	414
Compulsory social security contributions	119	121
Expenses and revenues related to employee benefits (IAS 19)	7	22
Board members' remuneration (including boards of subsidiaries)	8	8
Other social expenses	21	70
Total	**575**	**635**

The average number of employees (calculated using figures of disposed entities until their respective deconsolidation date) during 2021 was 10,564 (2020: 11,281), of which 231 were executives (2020: 259).

10. Emission rights

In millions of EUR

	2021	2020
Deferred income (grant) released to profit and loss	255	26
Profit from sale of emission rights	(81)	74
Creation and release of provision for emission rights	(1,354)	(454)
Gain (loss) from commodity derivatives for trading with emission rights, net	342	(47)
Use of provision for emission rights	450	430
Consumption of emission rights	(450)	(430)
Total	**(838)**	**(401)**

The increase of emission rights costs is caused primarily by the increase of average price of 1 piece of emission allowance from 25.01 EUR/piece in 2020 to 53.65 EUR/piece in 2021, which was to a certain extent limited by the fact that the Group policy is to hedge a portion of emission rights cost in advance. Increase in deferred income (grant) release relates mostly to acquisition of Kraftwerk Schkopau which receives part of its allowances from its customer.

The Ministries of the Environment of the Czech Republic, Slovakia, Germany, Hungary, Italy, France, Ireland and United Kingdom set a limit on the amount of a pollutant that can be emitted. Companies are granted emission allowances and are required to hold an equivalent number of allowances which represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission allowance must buy credits from those who pollute less or from other market participants. The transfer of allowances is referred to as a trade. Refer to Note 3(f) – Derivative financial instruments – Transactions with emission rights and energy, Note 3(k) iii – Intangible assets – Emission rights and Note 3(m) iv – Provisions – Provision for emission rights for more details on accounting policies on emission rights.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská teplárenská, a.s., Elektrárny Opatovice, a.s., SPP Storage, s.r.o., JTSD – Braunkohlebergbau GmbH, Kraftwerk Mehrum GmbH, Stredoslovenská energetika, a.s., NAFTA a.s., eustream, a.s., NAFTA Germany GmbH, Lynemouth Power Limited, EP UK Investments LTD and its selected subsidiaries, EP Produzione S.p.A. and its selected subsidiaries, Gazel Energie Generation S.A.S and Gazel Energie Solutions S.A.S.

11. Taxes and charges

In millions of EUR

	2021	2020
Carbon price support[(1)]	71	73
Property tax	22	24
Electricity tax	7	6
Gas tax	(1)	1
Other taxes and charges	15	24
Total taxes and charges	**114**	**128**

(1) Carbon Price Support (CPS) is the rate of climate change levy that applies to fossil fuel used for electricity generation in the United Kingdom.

12. Other operating income

In millions of EUR

	2021	2020
Compensation from insurance and other companies	52	26
Contractual penalties	24	8
Decentralization and cogeneration fee[1]	17	14
Consulting fees	15	15
Tolling fee	14	17
Rental income	12	10
Property acquired free-of-charge and fees from customers	7	9
Transportation revenues	6	5
Profit from sale of material	6	2
Ecological tax reimbursement	5	4
Inventory surplus	4	4
Waste disposal	4	4
Revenues from written off liabilities	-	3
Revenues from re-invoicing	-	1
Other	37	25
Total	**203**	**147**

(1) Decentralization and cogeneration fees relate to subsidy for producing electricity in cogeneration with heat. This revenue does not meet the criteria of revenues from customer as mentioned in Note 3(o).

13. Other operating expenses

In millions of EUR

	2021	2020
Impairment (gains) losses	60	40
Of which relates to: Trade receivables and other assets	*22*	*4*
Inventories	*16*	*22*
Goodwill	*13*	-
Property, plant and equipment and intangible assets	9	14
Consulting expenses	58	52
Outsourcing and other administration fees	51	59
Office equipment and other material	44	69
Insurance expenses	30	27
Transport expenses	25	21
Information technologies costs	23	24
Rent expenses	21	24
Change in provisions, net	21	(3)
Environmental expenses	20	13
Loss on disposal of tangible and intangible assets	14	3
Fees and commissions expense – intermediation	8	8
Gifts and sponsorship	6	7
Re-transmission fee[1]	6	2
Advertising expenses	4	4
Security services	4	4
Training, courses, conferences	4	3
Loss from receivables written-off	3	5
Contractual penalties	3	4
Communication expenses	3	4
Shortages and damages	2	1
Administrative expenses	-	1
Other	58	50
Total	**468**	**422**

(1) Re-transmission fee is National Grid's recovery of costs of installing and maintaining the transmission system in England, Wales and offshore. The amount paid is based on geographical location and size of generation.

No material research and development expenses were recognised in profit and loss for the year 2021 and 2020.

FEES PAYABLE TO STATUTORY AUDITORS

In millions of EUR

	2021	2020
Statutory audits	4	4
Services in addition to the Statutory audits	2	1
Total	**6**	**5**

Fees payable to statutory auditors include expenses recorded by all subsidiaries and also associates and joint ventures consolidated using the equity method in 100% amount. Statutory audits include fees payable for statutory audits of financial statements. Services in addition to the Statutory audits include primarily the following services: review of the condensed interim consolidated financial statements of EPIF and EPH Groups; provision of a comfort letter for the purpose of issuing bonds; assistance with the compilation of the Sustainability Report; audit of loan covenants; expert opinion on R&D allowance; preparation of a draft comfort letter for a potential capital market transaction.

14. Finance income and expense, profit (loss) from financial instruments

RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2021	2020
Net foreign exchange gain	94	-
Interest income	9	32
Dividend income	6	3
Fee and commission income	1	2
Finance income	**110**	**37**
Interest expense incl. various financing and refinancing related fees	(145)	(177)
Fees and commissions expense for other services	(17)	(25)
Interest expense from unwind of provision discounting	(6)	(12)
Fees and commissions expense for payment transactions	(5)	(2)
Net foreign exchange loss	-	(61)
Fees and commissions expense for guarantees	-	(2)
Finance expense	**(173)**	**(279)**
Profit (loss) from interest rate derivatives for trading(1)	25	(61)
Profit (loss) from revaluation of equity option(2)	20	-
Profit (loss) from currency derivatives for trading(1)	16	(12)
Profit (loss) from commodity derivatives for trading(1)	14	2
Impairment losses on financial assets(3)	(13)	(29)
Profit (loss) from other derivatives for trading(1)	(20)	15
Profit (loss) from revaluation of contingent consideration(4)	(35)	-
Profit from loan receivables written-off	-	11
Profit (loss) from hedging derivatives	-	6
Profit (loss) from assets at fair value through OCI	-	1
Profit (loss) from the adjustment of the purchase price from acquisition after the measurement period	-	(4)
Profit (loss) from financial instruments	**7**	**(71)**
Net finance income (expense) recognised in profit or loss	**(56)**	**(313)**

(1) All derivatives are for the risk management purposes.
(2) Profit from revaluation of equity option relates to call option of EP Slovakia B.V. over additional 50% interest in Slovak Power Holding B.V., the owner of 66% shares in Slovenské elektrárne a.s. For further details of the option scheme refer to Note 19 – Equity accounted investees.
(3) For details refer to Note 19 – Equity accounted investees and Note 31 – Financial instruments.
(4) For details refer to Note 32 – Trade payables and other liabilities.

15. Income tax expenses

INCOME TAXES RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2021	2020
Current taxes:		
Current year	(401)	(397)
Adjustment for prior periods	3	(3)
Total current taxes	**(398)**	**(400)**
Deferred taxes:		
Origination and reversal of temporary differences[1]	134	80
Total deferred taxes	**134**	**80**
Total income taxes (expense) benefit recognised in profit or loss	**(264)**	**(320)**

(1) For details refer to Note 20 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 72 million (2020: EUR 81 million) is mainly represented by SPP - distribúcia, a.s. of EUR 13 million (2020: EUR 4 million), EP New Energy Italia S.r.l. of EUR 13 million (2020: EUR 0 million), EP Produzione S.P.A. of EUR 11 million (2020: EUR 28 million), NAFTA Germany GmbH of EUR 11 million (2020: EUR 10 million) and eustream, a.s. of EUR 3 million (2020: EUR 13 million).

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. The corporate income tax rates in respective countries were as follows:

	Tax rate	
Country	**2021**	**2020**
The Czech Republic	19%	19%
Slovakia	21%	21%
Germany	28.83%–32.83%	28.47%–30%
Poland	19%	19%
Italy	24%	24%
Hungary	9%	9%
United Kingdom	19%	19%
Ireland	12.5%	12.5%
France	26.5%–27.5%[1]	31%[2]

(1) 26.5% rate applies to companies with revenues below EUR 250 million.
(2) 28% rate applying to the first EUR 500,000 of taxable income.

Current year income tax includes also special sector tax effective in Slovakia and Hungary.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In millions of EUR

	2021		
	Gross	**Income tax**	**Net of income tax**
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	3	-	3
Fair value reserve included in other comprehensive income[1]	89	(12)	77
Foreign currency translation differences from presentation currency	245	-	245
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(291)	-	(291)
Effective portion of changes in fair value of cash-flow hedges[1]	(745)	107	(638)
Total	**(699)**	**95**	**(604)**

(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.

In millions of EUR

	2020		
	Gross	**Income tax**	**Net of income tax**
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	1,762	(447)	1,315
Fair value reserve included in other comprehensive income[1]	(28)	2	(26)
Foreign currency translation differences from presentation currency	(76)	-	(76)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	116	-	116
Effective portion of changes in fair value of cash-flow hedges[1]	(73)	3	(70)
Total	**1,701**	**(442)**	**1,259**

(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.

RECONCILIATION OF THE EFFECTIVE TAX RATE

In millions of EUR

		2021		2020
	%		%	
Profit before tax		1,491		1,976
Income tax using the Company's domestic rate (19%)	19.0%	283	19.0%	375
Effect of tax rates in foreign jurisdictions	1.3%	19	1.8%	35
Change in tax rate	(0.2%)	(3)	-	-
Non-deductible expenses[(1)]	7.0%	104	7.3%	144
Non-taxable income[(2)]	(7.0%)	(104)	(16.5%)	(325)
Tax incentives	-	-	(0.4%)	(7)
Recognition of previously unrecognized tax losses	(0.7%)	(11)	0.8%	16
Effect of special levy for business in regulated services[(3)]	1.8%	28	2.7%	54
Current year losses for which no deferred tax asset was recognized	0.4%	5	1.5%	29
Change in temporary differences for which no deferred tax asset is recognized	(0.1%)	(1)	(0.2%)	(4)
Current period adjustment for deferred tax recognized in prior period[(4)]	(3.6%)	(53)	-	-
Withholding tax, income tax adjustments for prior periods	(0.2%)	(3)	0.2%	3
Income taxes recognised in profit or loss	**17.7%**	**264**	**16.2%**	**320**

(1) The basis consists mainly of derecognition of loan (refer to Note 31), creation of provisions and loss allowances of EUR 213 million (2020: EUR 269 million), non-deductible interest expense of EUR 86 million (2020: EUR 28 million), goodwill impairment of EUR 13 million (2020: EUR 0 million) and share of loss of joint ventures and associates of EUR 8 million and in the year ended 31 December 2020 also loss from sale of investment in NPTH, a.s. v likvidaci of EUR 146 million and loss of interest rate derivatives realized by EP Infrastructure, a.s. of EUR 46 million.

(2) The basis consists mainly of reversal of provisions and loss allowances of EUR 217 million (2020: EUR 239 million) and of gain from sale of investments in WOOGEL LIMITED, Przedsiębiorstwo Górnicze „Silesia" sp. z o.o., PT-Holding Investments B.V. and Mining Services and Engineering sp. z o.o. of EUR 33 million. In the year ended 31 December 2020, the balance also consists of negative goodwill of EUR 9 million, share of profit of joint ventures and associates of EUR 90 million and gain from sale of investments in Pražská teplárenská Holding a.s. v likvidaci, PT Transit, a.s, Pražská teplárenská a.s. and its subsidiaries and associates, Budapesti Erőmű Zrt. and Energia-pro Zrt. and Kernaman S.A.S. in total amount of EUR 962 million.

(3) This item relates to special industry tax applied in Slovakia and Hungary. The balance consists mainly of amount recognized by eustream, a.s. of EUR 14 million (2020: EUR 24 million), SPP - distribúcia, a.s. of EUR 11 million (2020: EUR 12 million), NAFTA a.s. of EUR 3 million (2020: EUR 5 million), Stredoslovenská distribučná, a.s. of EUR 3 million (2020: EUR 6 million) and POZAGAS a.s. of EUR 1 million (2020: EUR 2 million) and in the year ended 31 December 2020 also Budapesti Erömü Zrt. of EUR 5 million.

(4) The basis contains deferred tax asset relating to revaluation of fixed assets measured under revaluation model in local GAAP of EUR 200 million recognized by EP Produzione S.p.A. and Fiume Santo S.p.A.

16. Property, plant and equipment

In millions of EUR

	Land and buildings[(1)]	Gas transmission pipelines – fair value model	Gas distribution pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery[(1)]	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation								
Balance at 1 January 2021	**2,501**	**3,803**	**3,900**	**12**	**4,949**	**52**	**207**	**15,424**
Effects of movements in foreign exchange	34	-	-	1	123	2	2	**162**
Additions	53	-	10	-	135	2	172	**372**
Additions through business combinations[(2)]	60	-	-	-	48	2	-	**110**
Revaluation[(3)]	3	-	-	-	-	-	-	**3**
Disposals	(27)	-	(8)	-	(55)	(2)	(3)	**(95)**
Transfers to intangible assets	-	-	-	-	-	-	(8)	**(8)**
Transfer to investment property[(3)]	(18)	-	-	-	-	-	-	**(18)**
Transfers	21	-	21	-	29	1	(72)	**-**
Change in provision recorded in PPE	27	-	-	-	(1)	-	-	**26**
Balance at 31 December 2021	**2,654**	**3,803**	**3,923**	**13**	**5,228**	**57**	**298**	**15,976**
Depreciation and impairment losses								
Balance at 1 January 2021	**(803)**	**(126)**	**(181)**	**-**	**(2,201)**	**(11)**	**(8)**	**(3,330)**
Effects of movements in foreign exchange	(15)	-	-	-	(47)	-	-	**(62)**
Depreciation charge for the year	(108)	(89)	(143)	(1)	(366)	(5)	-	**(712)**
Disposals	11	-	3	-	48	1	3	**66**
Impairment losses recognised in profit or loss	-	-	-	-	(5)	-	(2)	**(7)**
Balance at 31 December 2021	**(915)**	**(215)**	**(321)**	**(1)**	**(2,571)**	**(15)**	**(7)**	**(4,045)**
Carrying amounts								
At 1 January 2021	**1,698**	**3,677**	**3,719**	**12**	**2,748**	**41**	**199**	**12,094**
At 31 December 2021	**1,739**	**3,588**	**3,602**	**12**	**2,657**	**42**	**291**	**11,931**

(1) Including right-of-use assets.
(2) Purchase of EP Power Minerals Group, Kraftwerk Schkopau GrB and Tourbus.
(3) This balance relates to revaluation of land to fair value and subsequent transfer into investment property. Refer to Note 18 – Investment property.

In millions of EUR

	Land and buildings[(1)]	Gas transmission pipelines – fair value model	Gas distribution pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery[(1)]	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation								
Balance at 1 January 2020	**2,796**	**3,803**	**-**	**2,590**	**5,146**	**35**	**249**	**14,619**
Effects of movements in foreign exchange	(35)	-	-	2	(81)	(1)	(1)	**(116)**
Additions	54	-	-	-	190	27	162	**433**
Additions through business combinations[(2)]	2	-	-	-	44	-	-	**46**
Reclassification	-	-	2,094	(2,580)	-	-	-	**(486)**
Revaluation	-	-	1,762	-	-	-	-	**1,762**
Disposals	(12)	-	-	-	(41)	(4)	(2)	**(59)**
Disposed entities[(3)]	(345)	-	-	-	(386)	(6)	(55)	**(792)**
Transfer from inventories	-	-	-	-	11	-	-	**11**
Transfers	33	-	44	-	68	1	(146)	**-**
Change in provision recorded in PPE	10	-	-	-	-	-	-	**10**
Transfer to disposal group held for sale	(2)	-	-	-	(2)	-	-	**(4)**
Balance at 31 December 2020	**2,501**	**3,803**	**3,900**	**12**	**4,949**	**52**	**207**	**15,424**
Depreciation and impairment losses								
Balance at 1 January 2020	**(859)**	**(37)**	**-**	**(524)**	**(1,968)**	**(9)**	**(4)**	**(3,401)**
Effects of movements in foreign exchange	14	-	-	-	27	-	-	**41**
Depreciation charge for the year	(114)	(89)	(142)	-	(390)	(4)	-	**(739)**
Disposals	11	-	-	-	40	-	-	**51**
Disposed entities	146	-	-	-	95	2	-	**243**
Reclassification (eliminated against cost)	-	-	(39)	524	-	-	-	**485**
Impairment losses recognised in profit or loss	(1)	-	-	-	(6)	-	(4)	**(11)**
Transfer to disposal group held for sale	-	-	-	-	1	-	-	**1**
Balance at 31 December 2020	**(803)**	**(126)**	**(181)**	**-**	**(2,201)**	**(11)**	**(8)**	**(3,330)**
Carrying amounts								
At 1 January 2020	**1,937**	**3,766**	**-**	**2,066**	**3,178**	**26**	**245**	**11,218**
At 31 December 2020	**1,698**	**3,677**	**3,719**	**12**	**2,748**	**41**	**199**	**12,094**

(1) Including right-of-use assets.
(2) Purchase of Humbly Grove Energy Limited.
(3) Disposal of Kernaman S.A.S., Pražská teplárenská a.s., PT Transit, a.s., Budapesti Erőmű Zrt. and Energia-pro Zrt.

REVALUATION OF GAS PIPELINE

Gas distribution pipeline by SPP – distribúcia, a.s. and gas transmission pipeline by eustream a.s. are recognised at revalued amount, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology). For more details on revaluation, refer Note 4(a).

If the pipelines were accounted for using the cost model, the net book value of the asset as at 31 December 2021 would be EUR 4,084 million (2020: EUR 4,166 million) (net book value of eustream's assets of EUR 2,090 million (2020: EUR 2,130 million) and net book value of SPPD's assets of EUR 1,994 million (2020: EUR 2,036 million)).

IDLE ASSETS

As at 31 December 2021 and 31 December 2020 the Group had no significant idle assets.

SECURITY

At 31 December 2021, property, plant and equipment with a carrying value of EUR 626 million (2020: EUR 700 million) are subject to pledges from financial indebtedness and hedging transactions.

17. Intangible assets (including goodwill)

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2021	**191**	**103**	**157**	**330**	**27**	**808**
Effect of movements in foreign exchange	7	1	7	3	2	**20**
Additions	-	7	496	-	9	**512**
Additions through business combinations[1]	25	1	-	27	1	**54**
Disposals	-	(2)	(450)	(89)	(3)	**(544)**
Transfers from tangible assets	-	-	-	-	8	**8**
Transfers	-	2	-	-	(2)	**-**
Balance at 31 December 2021	**223**	**112**	**210**	**271**	**42**	**858**
Amortisation and impairment losses						
Balance at 1 January 2021	**(38)**	**(76)**	**-**	**(265)**	**(5)**	**(384)**
Effect of movements in foreign exchange	(1)	(1)	-	-	-	**(2)**
Amortisation for the year	-	(10)	-	(15)	(5)	**(30)**
Disposals	-	2	-	89	2	**93**
Impairment losses recognised in profit or loss	(13)	(1)	-	-	(1)	**(15)**
Balance at 31 December 2021	**(52)**	**(86)**	**-**	**(191)**	**(9)**	**(338)**
Carrying amount						
At 1 January 2021	**153**	**27**	**157**	**65**	**22**	**424**
At 31 December 2021	**171**	**26**	**210**	**80**	**33**	**520**

(1) Purchase of EP Power Minerals Group and Dobrá energie s.r.o.

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2020	**196**	**96**	**173**	**333**	**19**	**817**
Effect of movements in foreign exchange	(5)	(1)	(4)	(3)	-	**(13)**
Additions	-	7	425	-	11	**443**
Disposals	-	(1)	(430)	-	-	**(431)**
Disposed entities[1]	-	(1)	(7)	-	-	**(8)**
Transfers	-	3	-	-	(3)	**-**
Balance at 31 December 2020	**191**	**103**	**157**	**330**	**27**	**808**
Amortisation and impairment losses						
Balance at 1 January 2020	**(40)**	**(66)**	**-**	**(233)**	**(2)**	**(341)**
Effect of movements in foreign exchange	2	1	-	-	-	**3**
Amortisation for the year	-	(12)	-	(32)	-	**(44)**
Disposals	-	1	-	-	-	**1**
Impairment losses recognised in profit or loss	-	-	-	-	(3)	**(3)**
Balance at 31 December 2020	**(38)**	**(76)**	**-**	**(265)**	**(5)**	**(384)**
Carrying amount						
At 1 January 2020	**156**	**30**	**173**	**100**	**17**	**476**
At 31 December 2020	**153**	**27**	**157**	**65**	**22**	**424**

(1) Disposal of Pražská teplárenská a.s., Budapesti Erőmű Zrt. and Energia-pro Zrt.

In 2021, the Group purchased emission allowances of EUR 472 million (2020: EUR 410 million). The remaining part of EUR 24 million (2020: EUR 15 million) was allocated to the Group by the respective authorities.

Amortisation of intangible assets is included in the row Depreciation and amortisation in the consolidated statement of comprehensive income.

Other intangible assets comprise valuable rights.

All intangible assets, excluding goodwill, were recognised as assets with definite useful life.

The Group did not capitalise any development costs in 2021 and 2020.

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. No significant research costs were incurred during 2021 and 2020.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to single cash generating units are as follows (no intangible assets with indefinite useful lives were identified):

In millions of EUR

	31 December 2021	31 December 2020
EP Energy, a.s.:		
Elektrárny Opatovice, a.s.	94	88
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.	5	5
SPV100, s.r.o.	1	1
EP Power Minerals GmbH	22	-
Biomasse Italia S.p.A.	16	16
Biomasse Crotone S.p.A.	10	20
LOCON Logistik & Consulting AG	7	7
Helmstedter Revier GmbH	5	5
Kraftwerk Schkopau GbR	3	-
SPEDICA GROUP COMPANIES, s.r.o.	2	2
SAJDOK a.s.	1	1
EP Investment Advisors, s.r.o.	-	3
Total goodwill	**171**	**153**

In 2021, the balance of goodwill increased by EUR 25 million as a result of acquisitions of EP Power Minerals Group and Kraftwerk Schkopau GbR and decreased by EUR 13 million as a result of goodwill impairment recognized by Biomasse Crotone S.p.A. and EP Investment Advisors, s.r.o. The remaining increase of EUR 6 million is caused by positive effect of changes in the FX rate.

GOODWILL AND IMPAIRMENT TESTING

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. The Group also conducts impairment testing of other intangible assets with indefinite useful lives, and of cash generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows. Value in use is derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

The calculation of the recoverable amounts for CGUs containing goodwill was based on the following key assumptions:

In case of EPIF Group entities, cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by an additional six years of modelled projections followed by projected results based on an estimated growth factor plus a terminal value if relevant. In case of EPPE Group entities, cash-flows were projected based on past experience, actual operating results and the five-year business plan followed by projected results based on expected useful life of the individual assets. Where relevant, cash flows for a terminal period were extrapolated using a constant growth rate of 0%–2% (2020: 0%–2%), which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, CO2 allowances prices, foreign exchange rates, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 4.77% to 11.89% (2020: range from 3.82% to 8.01%). Changes in used discount rates compared to prior year reflect a combination of factors. For some entities, the specific risk of the entity and cost of debt has been adjusted while, at the same time, changes reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

In 2021, the impairment of goodwill at Biomasse Crotone S.p.A. of EUR 10 million is recognized due to the fact that subsidies for biomass production are to end in 2027. Part of the subsidies value previously recognized within goodwill has already been realized in past profits and it is reflected as a decrease in value of goodwill via impairment (2020: EUR 0 million impairment of goodwill).

ADDITIONAL INFORMATION ON CGU WITH SIGNIFICANT GOODWILL ASSIGNED:

The recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Value in use in 2021 was determined in a similar manner as in 2020. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 451 million (2020: EUR 425 million). Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the planned EBITDA. These selected assumptions were as follows:

	2021	2020
Discount rate	5.69%	4.51%
Terminal value growth rate	0.75%	0.50%

The EPH Group uses weighted average cost of capital (WACC). The discount rate is a pre-tax measure. Cost of equity is based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of Elektrárny Opatovice, a.s.

Budgeted Adjusted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

a) estimated refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);

b) market expectations regarding power and CO2 prices, development based on historical trends;

c) a slight decrease in heat supplies and modest increase of heat prices;

d) the inflation driven development of various other positions, especially overhead costs.

The Group did not identify any CGU for which reasonably possible change in key management assumptions (EBITDA, terminal growth, discount rate) would cause that recoverable amount would decrease below its carrying amount.

18. Investment property

In millions of EUR

	31 December 2021	31 December 2020
Opening balance	3	3
Transfer from property, plant and equipment	18	-
FX difference	1	-
Closing balance	**22**	**3**

SECURITY

As at 31 December 2021, investment property in the amount of EUR 19 million is subject to pledges (2020: EUR 0 million).

19. Equity accounted investees

The Group has the following investments in associates and joint ventures:

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2021 %	Carrying amount 31 December 2021
LEAG Group(1)	(3)	50.00	865
Ergosud S.p.A.	Italy	50.00	63
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	18
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
SPH Group(2)	(3)	(4)	-
Greeninvest Energy, a.s.	Czech Republic	(5)41.70	-
Total		-	**951**

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2020 %	Carrying amount 31 December 2020
LEAG Group(1)	(3)	50.00	659
SPH Group(2)	(3)	(4)	195
Ergosud S.p.A.	Italy	50.00	63
Kraftwerk Schkopau GbR	Germany	41.90	61
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	18
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
Greeninvest Energy, a.s.	Czech Republic	(5)41.70	1
Total		-	**1,002**

(1) Refer to Note 37 – Group entities for detail of entities included in LEAG Group.
(2) Refer to Note 37 – Group entities for detail of entities included in SPH Group.
(3) Country of incorporation varies, for details refer to Note 37 – Group entities.
(4) Ownership percentage varies, for details refer to Note 37 – Group entities.
(5) Ownership percentage including indirect non-controlling interest.

PRZEDSIEBIORSTWO GÓRNICZE SILESIA SP. Z O.O. ("PGS")

As at 31 December 2020, the Group reported valuation allowance of EUR 32 million to its financial investment in PGS. As the carrying amount of the investment in PGS decreased to zero in course of 2018, the Group discontinued recognising its share on further losses. In 2020, the share capital of PGS increased by EUR 72 million through the capital contribution of the investors. The Group share on the increase was EUR 28 million. The Group therefore recognized its share on current year loss of PGS and a part of the unrecognized share on loss in PGS from previous years in amount of EUR 16 million (as a reason of capital contribution of EUR 28 million and positive changes in FX rates of EUR 4 million). The cumulative unrecognized share on loss in PGS as at 31 December 2020 was EUR 85 million.

On 16 December 2020, the Group concluded an agreement to sell the shares in PGS to a third party. As a result of the agreement, the investment in PGS was reclassified from equity accounted investees to assets held for sale. On 29 January 2021, the Group disposed its 38.93% interest in PGS. For details on disposal, refer to Note 6(d) – Disposal of investments.

SPH GROUP

In 2016, EP Slovakia B.V., EPH's subsidiary, completed the first stage of acquisition of 50% shares in Slovak Power Holding B.V. ("SPH"), which is the owner of 66% shares in Slovenské elektrárne a.s. ("SE"). The second stage involves a put or call option for the remaining 50% shares in SPH which may be used by Enel Produzione SpA ("Enel") or EP Slovakia B.V. respectively. The total price for both of the two stages of acquisition is subject to an adjustment mechanism, which will be applied upon closing of the second stage of the transaction and will reflect certain parameters, mainly the change in the net financial position of SE and the enterprise value of the Mochovce units 3 and 4 ("EMO34"). Enel provided a loan to SPH in 2018 and subsequently the conditions for the use of the put or call option were amended to reflect the loan.

Enel and EP Slovakia B.V. signed a new agreement in December 2020 that modified a number of amendments to the contract. Enel will grant additional loans to SPH – which will in turn make them available to SE for the EMO34 construction – with maturity in 2032. The loans come in addition to the loan already disbursed by Enel and whose maturity is to be extended to 2032 (together "the Loans"). The agreement also envisages that EPH grants a loan to fund the EMO34 project. The agreement regulates the "trigger events" for which parties can exercise the respective options. The put or call options can be exercised when the latest of the following events occurs: (i) six months from the date of completion of the trial run of Mochovce's unit 4; (ii) the date of completion of the first outage of Mochovce's unit 4; and (iii) the maturity of the Loans set for 2032.

The new agreement provides EPH with the possibility to exercise a "early call option" after six months from the signing of the updated contract and until the first of the following events occurs: (i) four years from the completion of the trial run of Mochovce's unit 4 and (ii) December 2028. In such a case, a floor and cap of the consideration have been introduced. When the abovementioned options are exercised, EPH will take over the outstanding amount of the Loans from Enel. In the event of the early call option exercise, EPH is expected to take over the Loans according to a plan starting from 2026, with the last tranche expected in 2032 at the latest.

Furthermore, as at 31 December 2021 the Group reported a valuation allowance of EUR 136 million (31 December 2020: EUR 128 million) to its financial investment in SPH. The change in loss allowance of EUR 8 million is caused by movement of FX rates. The carrying amount

of the investment in SPH Group decreased to zero in course of 2021 due to negative other comprehensive income generated by SPH Group. The Group recognized share on profit of EUR 52 million, share on other comprehensive income of negative EUR 251 million and discontinued recognizing its share on further total comprehensive loss. As at 31 December 2021, the unrecognized share on total comprehensive loss in SPH Group amounts to EUR 402 million (both for the year and cumulatively).

KRAFTWERK SCHKOPAU GBR AND KRAFTWERK SCHKOPAU BETRIEBSGESELLSCHAFT MBH

On 1 October 2021, based on the agreement with Uniper from February 2020, Saale Energie GmbH (indirect subsidiary of EPPE) acquired remaining 58.1% interest in Kraftwerk Schkopau GbR and remaining 55.6% interest in Kraftwerk Schkopau Betriebsgesellschaft mbH and became the sole owner. As a result of the transaction, the Group has gained control over both companies. The Group therefore ceased to apply the equity method over the entities and from 1 October 2021 includes them in the consolidated financial statements of the Group applying the full method of consolidation. For more details refer to Note 6(a).

The Group has the following shares in the profit (loss) of associates and joint ventures:

In millions of EUR

		Ownership 31 December 2021	Share of profit (loss) 2021
Associates and joint ventures	Country	%	
SPH Group	(1)	(2)	52
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	5
Kraftwerk Schkopau GbR	Germany	41.90	2
Greeninvest Energy, a.s.	Czech Republic	(3) 41.70	1
LEAG Group	(1)	50.00	(68)
Total		-	**(8)**

In millions of EUR

		Ownership 31 December 2020	Share of profit (loss) 2020
Associates and joint ventures	Country	%	
LEAG Group	(1)	50.00	63
SPH Group	(1)	(2)	54
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	4
Ergosud S.p.A.	Italy	50.00	2
Greeninvest Energy, a.s.	Czech Republic	(3) 41.70	1
Kraftwerk Schkopau GbR	Germany	41.90	(2)
Przedsiebiorstwo Górnicze SILESIA Sp. z o.o.		38.93	(32)
Total		-	**90**

(1) Country of incorporation varies, for details refer to Note 37 – Group entities.
(2) Ownership percentage varies, for details refer to Note 37 – Group entities.
(3) Ownership percentage including indirect non-controlling interest.

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 31 December 2021 and 2020 and for the years then ended.

In millions of EUR

	2021	2020
Statement of financial position information		
Total assets	**11,949**	**6,122**
Non-current assets	2,494	2,822
Current assets	9,455	3,300
of which: cash and cash equivalents	*1,092*	*388*
other current assets	*8,363*	*2,912*
Total liabilities	**10,224**	**4,804**
Non-current liabilities	4,166	3,345
of which: financial liabilities (excluding trade payables)	*13*	*30*
other non-current liabilities	*4,153*	*3,315*
Current liabilities	6,058	1,459
of which: financial liabilities (excluding trade payables)	*545*	*73*
other current liabilities	*5,513*	*1,386*
Equity	**1,725**	**1,318**
Statement of comprehensive income information		
Revenues	3,446	2,523
of which: interest income	-	*1*
Depreciation and amortization	(255)	(268)
Interest expense	(32)	(33)
Income tax expense	(18)	(9)
Profit (loss) for the year	[1]**(125)**	[1]**134**
Other comprehensive income	535	(64)
Total comprehensive income for the year	**410**	**70**

(1) Includes dividends from EP New Energy Italia S.r.l. eliminated in calculation of share of profit (loss) attributable to the Group.

In March 2022, Lausitz Energie Kraftwerke AG (LEK) reached an agreement with its major hedging counterparty to limit liquidity risk from margining of power and EUA. As a result of this agreement which limits margining liquidity risk with LEK's major hedging counterparty, certain parent company guarantees were issued (callable under specific conditions) and EPH's exposure from these guarantees is up to EUR 1,100 million.

Summary financial information for standalone associates, presented at 100% as at 31 December 2021 and for the year then ended.

In millions of EUR

Associates and joint ventures	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
SPH Group	4,230	157	(1,982)	(1,825)	10,759	11,605	(846)
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	57	10	-	10	55	28	27
Fernwärme GmbH Hohenmölsen – Webau[1]	6	-	-	-	14	3	11
Energotel, a.s.	12	1	-	1	11	6	5
Greeninvest Energy, a.s.	4	2	-	2	25	11	14
Ergosud S.p.A.	81	(1)	-	(1)	286	160	126
Total	**4,390**	**169**	**(1,982)**	**(1,813)**	**11,150**	**11,813**	**(663)**

(1) Data from standalone financial statements according to German GAAP.

In millions of EUR

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
SPH Group	7,188	3,571	5,562	6,043
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	24	31	20	8
Fernwärme GmbH Hohenmölsen – Webau[1]	13	1	1	2
Energotel, a.s.	4	7	-	6
Greeninvest Energy, a.s.	19	6	10	1
Ergosud S.p.A.	182	104	70	90
Total	**7,430**	**3,720**	**5,663**	**6,150**

(1) Data from standalone financial statements according to German GAAP.

Summary financial information for standalone associates, presented at 100% as at 31 December 2020 and for the year then ended.

In millions of EUR

Associates and joint ventures	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
SPH Group	3,018	164	(36)	128	8,613	7,635	978
Kraftwerk Schkopau GbR[1]	32	6	-	6	217	108	109
Kraftwerk Schkopau Betriebsgesellschaft GmbH[1]	102	-	-	-	6	6	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	57	8	-	8	54	29	25
Fernwärme GmbH Hohenmölsen – Webau[1]	6	-	-	-	14	4	10
Energotel, a.s.	11	1	-	1	10	5	5
Greeninvest Energy, a.s.	3	2	-	2	22	9	13
Ergosud S.p.A.	58	5	-	5	283	156	127
Total	**3,287**	**186**	**(36)**	**150**	**9,219**	**7,952**	**1,267**

(1) Data from standalone financial statements according to German GAAP.

In millions of EUR

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
SPH Group	7,462	1,151	5,724	1,911
Kraftwerk Schkopau GbR[1]	3	214	107	1
Kraftwerk Schkopau Betriebsgesellschaft GmbH[1]	-	6	-	6
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	23	31	20	9
Fernwärme GmbH Hohenmölsen – Webau[1]	13	1	2	2
Energotel, a.s.	4	6	-	5
Greeninvest Energy, a.s.	18	4	9	-
Ergosud S.p.A.	208	75	103	53
Total	**7,731**	**1,488**	**5,965**	**1,987**

(1) Data from standalone financial statements according to German GAAP.

20. Deferred tax assets and liabilities

The following deferred tax assets and (liabilities) have been recognised:

In millions of EUR

	31 December 2021			31 December 2020		
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	78	(1,925)	(1,847)	20	(1,966)	(1,946)
Intangible assets	-	(37)	(37)	1	(29)	(28)
Inventories	14	-	14	12	-	12
Trade receivables and other assets	4	-	4	2	-	2
Provisions	117	(1)	116	121	-	121
Employees benefits (IAS 19)	1	(1)	-	4	(15)	(11)
Loans and borrowings	1	(11)	(10)	-	(11)	(11)
Unpaid interest	-	(2)	(2)	-	-	-
Tax losses	7	-	7	9	-	9
Derivatives	1,169	(1,044)	125	94	(75)	19
Right-of-use assets	15	(16)	(1)	-	-	-
Other items	73	(35)	38	61	(44)	17
Subtotal	**1,479**	**(3,072)**	**(1,593)**	**324**	**(2,140)**	**(1,816)**
Set-off tax	(1,320)	1,320	-	(247)	247	-
Total	**159**	**(1,752)**	**(1,593)**	**77**	**(1,893)**	**(1,816)**

MOVEMENTS IN DEFERRED TAX DURING THE YEAR

In millions of EUR

Balances related to:	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other compre-hensive income	Acquired in business combina-tions[1]	Disposed entities	Transfer	Effect of movements in foreign exchange rate	Balance at 31 Decem-ber 2021
Property, plant and equipment	(1,946)	107	-	(7)	-	-	(1)	(1,847)
Intangible assets	(28)	(3)	-	(5)	-	-	(1)	(37)
Inventories	12	2	-	-	-	-	-	14
Trade receivables and other assets	2	2	-	-	-	-	-	4
Provisions	121	(14)	(1)	9	-	-	1	116
Employee benefits (IAS 19)	(11)	8	(11)	-	-	14	-	-
Loans and borrowings	(11)	(2)	-	1	-	2	-	(10)
Unpaid interest	-	1	-	-	-	(2)	(1)	(2)
Tax losses	9	(2)	-	-	-	-	-	7
Derivatives	19	7	104	-	-	(3)	(2)	125
Right-of-use assets	-	(2)	-	-	-	-	1	(1)
Other	17	30	3	-	-	(11)	(1)	38
Total	**(1,816)**	**134**	**95**	**(2)**	**-**	**-**	**(4)**	**(1,593)**

(1) Acquisition of Dobrá Energie s.r.o. and Kraftwerk Schkopau GbR.

In millions of EUR

Balances related to:	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other compre-hensive income[1]	Acquired in business combina-tions	Disposed entities[2]	Transfer	Effect of movements in foreign exchange rate	Balance at 31 Decem-ber 2020
Property, plant and equipment	(1,585)	59	(447)	-	22	4	1	(1,946)
Intangible assets	(27)	-	-	-	-	-	(1)	(28)
Investment securities at amortised cost	(2)	2	-	-	-	-	-	-
Inventories	6	5	-	-	-	-	1	12
Trade receivables and other assets	2	-	-	-	-	-	-	2
Provisions	127	1	1	-	(5)	(1)	(2)	121
Employee benefits (IAS 19)	(6)	(5)	1	-	-	1	(2)	(11)
Loans and borrowings	(15)	-	-	-	3	-	1	(11)
Tax losses	29	(20)	-	-	-	-	-	9
Derivatives	(8)	14	8	-	3	-	2	19
Other	(6)	24	(5)	-	10	(4)	(2)	17
Total	**(1,485)**	**80**	**(442)**	**-**	**33**	**-**	**(2)**	**(1,816)**

(1) Includes mainly revaluation of gas distribution pipelines (FV model) in SPP – distribúcia, a.s. of negative EUR 447 million.
(2) Disposal of Pražská teplárenská, a.s. v of EUR 19 million, PT Transit, a.s. of EUR 5 million and Kernaman S.A.S. of EUR 9 million.

UNRECOGNISED DEFERRED TAX ASSETS

A deferred tax asset has not been recognised in respect of the following tax losses that are available for carry forward by certain EPH Group entities:

In millions of EUR

	31 December 2021	31 December 2020
Tax losses carried forward	1,609	1,481
Total	**1,609**	**1,481**

A deferred tax asset that has not been recognised in respect of the tax losses is attributable to the following entities:

In millions of EUR

	31 December 2021	31 December 2020
EP France S.A.S. and its subsidiaries	1,163	1,045
Slovak Gas Holding B.V.	188	175
Seattle Holding B.V.	97	96
EPH Gas Holding B.V.	65	65
Humbly Grove Energy Limited	64	64
EP UK Investments Limited	11	-
Czech Gas Holding Investment B.V.	8	13
NAFTA, a.s.	4	4
EP Infrastructure, a.s.	4	9
SPP Infrastructure, a.s.	2	2
EP Power Europe, a.s.	2	-
EP Yuzivska B.V.	1	-
PT Holding Investments B.V.	-	4
EPPE Germany a.s.	-	3
WOOGEL LIMITED	-	1
Total	**1,609**	**1,481**

The entities in the table represent holding companies with insignificant operating activities. The Group does not expect significant taxable profit growth on these entities, so no deferred tax was recognized. If sufficient taxable profit were to be achieved in 2021, then the associated tax income (savings) would be up to EUR 378 million (2020: 411 million).

A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

In millions of EUR

	2022	2023	2024	2025	After 2026	Total
Tax losses	122	116	61	30	1,280	**1,609**

Tax losses expire over a period of 5 years in the Czech Republic and Slovakia, 6 years (9 years for losses up to 2018) in the Netherlands for standard tax losses and indefinitely in France, Germany and the UK. Under current tax legislation, some deductible temporary differences do not expire. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

21. Inventories

In millions of EUR

	31 December 2021	31 December 2020
Inventories for trading held at fair value	321	101
Fossil fuel	111	117
Spare parts	88	81
Raw materials and supplies	75	76
Finished goods and merchandise	47	23
Overburden	13	20
Work in progress	6	4
Total	**661**	**422**

In 2021, inventories of EUR 2,093 million (2020: EUR 1,520 million) were recognized as an expense during the year and included in Purchases and consumables. These values exclude expenses reported by EP Commodities, a.s. which are related to trading activities without physical delivery.

Inventories for trading held at fair value are categorized within Level 1 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

As at 31 December 2021, inventories in the amount of EUR 41 million (2020: EUR 57 million) were subject to pledges.

22. Trade receivables and other assets

In millions of EUR

	31 December 2021	31 December 2020
Margin of stock exchange derivatives	1,548	106
Trade receivables	1,139	762
Receivables from emission rights granted free-of-charge	227	-
Value added tax receivables	195	68
Other advance payments	184	70
Accrued income[1]	183	139
Uninvoiced revenues	171	92
Advance payments for long-term tangible and intangible assets	119	21
Subsidies related to renewable energy	40	37
Estimated receivables	35	9
Other taxes receivables, net	19	14
Defined benefit assets in excess of obligations	15	-
Other receivables and assets	147	137
Allowance for bad debts	(47)	(26)
Total	**3,975**	**1,429**
Non-current	117	98
Current	3,858	1,331
Total	**3,975**	**1,429**

(1) For more detail on accrued income refer to Note 33 – Commitments and contingencies.

In 2021, EUR 2 million receivables were written-off through profit or loss (2020: EUR 2 million).

As at 31 December 2021, trade receivables with a carrying value of EUR 637 million are subject to pledges (2020: EUR 238 million).

As at 31 December 2021, trade receivables and other assets amounting EUR 3,913 million are not past due (2020: EUR 1,420 million) remaining net balance of EUR 62 million is overdue (2020: EUR 9 million). For more detailed aging analysis refer to Note 35 (a)(ii) – Risk management – credit risk (impairment losses).

As at 31 December 2021 and 2020, the fair value of trade receivables and other assets equal to its carrying amount.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 35 – Risk management policies and disclosures.

23. Cash and cash equivalents

In millions of EUR

	31 December 2021	31 December 2020
Current accounts with banks	2,462	1,578
Term deposits	35	175
Total	**2,497**	**1,753**

Term deposits and bills of exchange issued by banks with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2021 cash equivalents of EUR 170 million are subject to pledges (2020: EUR 421 million) in case the Group defaults on some of its indebtedness. As such, pledged cash is readily available and is not classified as restricted.

24. Restricted cash

As at 31 December 2021, the balance of restricted cash is represented mainly by EUR 16 million (2020: EUR 15 million) security given by Eggborough Power Limited ("EPL") to the pension fund, this is expected to remain in place until risk on the schemes funding deficit is eliminated. Remaining balance of EUR 7 million includes mainly deposits related to pension schemes by other Group companies. As at 31 December 2020, balance of restricted cash includes also EUR 11 million cash on debt service reserve account by EP UK Finance Limited.

As at 31 December 2021 restricted cash of EUR 16 million is subject to pledges (2020: EUR 26 million).

25. Equity

SHARE CAPITAL, SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2021 consisted of 4,000,000 ordinary shares with a par value of CZK 1,000 each (2020: 4,000,000 ordinary shares with a par value of CZK 1,000 each).

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 1000 at meetings of the Company's shareholders.

31 DECEMBER 2021

	Number of shares	Ownership	Voting rights
	1,000 CZK	%	%
EP Corporate Group, a.s.	2,240,001	56.00%	56.00%
J&T ENERGY HOLDING, a.s.	1,759,999	44.00%	44.00%
Total	**4,000,000**	**100.00%**	**100.00%**

31 DECEMBER 2020

	Number of shares	Ownership	Voting rights
	1,000 CZK	%	%
EP Corporate Group, a.s.	2,120,000	53.00%	53.00%
EP Investment II S.à r.l.	120,001	3.00%	3.00%
KUKANA ENTERPRISES LIMITED	1,759,999	44.00%	44.00%
Total	**4,000,000**	**100.00%**	**100.00%**

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is provided as follows:

	Number of shares 2021
	1,000 CZK
Shares outstanding at the beginning of the year	4,000,000
Shares outstanding at the end of the year	**4,000,000**

	Number of shares 2020		
	1 CZK	100 CZK	1,000 CZK
Shares outstanding at the beginning of the year	1,700,641,760	18,344,932	-
New shares issued	464,865,040	-	-
Share split of 100 CZK share to 1 CZK share	1,834,493,200	(18,344,932)	-
Reverse share split of 1 CZK share to 1,000 CZK share	(4,000,000,000)	-	4,000,000
Shares outstanding at the end of the year	**-**	**-**	**4,000,000**

SHARE PREMIUM

The Company recognised a Share premium of EUR 64 million in 2012.

RESERVES

Reserves recognised in equity comprise the following items:

In millions of EUR

	31 December 2021	31 December 2020
Revaluation reserve	925	951
Other capital funds from capital contributions	23	23
Non-distributable reserves	17	16
Fair value reserve	1	(66)
Other capital reserves	(54)	(54)
Translation reserve	(117)	(54)
Hedging reserve	(195)	187
Total	**600**	**1,003**

NON-DISTRIBUTABLE RESERVES

The legal reserve of EUR 17 million was reported as at 31 December 2021 (2020: EUR 16 million).

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group and translation of the consolidated financial statements to presentation currency.

OTHER CAPITAL RESERVES

In 2009, the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 9 October 2009. Such subsidiaries were acquired under common control of J&T Finance Group, a.s. (which held controlling interest in the Group at the time of acquisition of the subsidiaries), and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are recorded at the book value, which was presented in the financial statements of J&T Finance Group, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward as at the acquisition date was recorded in consolidated equity as pricing differences.

In 2010, in relation to the disposal of certain subsidiaries the revaluation reserve increased by EUR 74 million. The amount corresponds not only to pricing differences assigned directly to disposed subsidiaries but also to their direct parent companies (SPEs), which, although they remained in scope, are not cash generating units as standalones and thereby do not carry any goodwill potential.

In 2011, other capital reserves increased further by EUR 56 million in relation to the several subsidiaries that were spun off to EP Industries, a.s. as a part of non-cash dividend distribution.

In 2013, other capital reserves increased by EUR 1 million due to the process of restructuring of SPP Group.

HEDGING RESERVES

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 31 – Financial instruments and Note 35 – Risk management policies and disclosure).

FAIR VALUE RESERVE

Fair value reserve comprises actuarial gains and losses related to IAS 19 pension plan provisions.

REVALUATION RESERVE

Revaluation reserve represents an effect from revaluation of gas transmission and gas distribution pipelines as per IAS 16 to fair value. For detail refer to Note 4(a).

26. Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share in EUR per 1,000 CZK of share nominal value equal 0.20 (2020: 0.23).

The calculation of basic earnings per share as at 31 December 2021 was based on a profit attributable to ordinary shareholders of EUR 813 million (2020: EUR 927 million), and a weighted average number of ordinary shares outstanding of 4,000 million (2020: 3,963 million).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT 31 DECEMBER 2021

In millions of shares

	Nominal	Weighted
Issued ordinary shares as at 1 January 2021	4,000	4,000
Total	**4,000**	**4,000**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT 31 DECEMBER 2020

In millions of shares

	Nominal	Weighted
Issued ordinary shares as at 1 January 2020	3,535	3,535
Issued ordinary shares on 29 January 2020 (1 share/CZK 1)[1]	465	428
Total	**4,000**	**3,963**

(1) During 2020, shares with par value of CZK 100 were replaced by shares with par value of CZK 1 each. This transaction did not have an impact on the value of the share capital of the Company.

DILUTIVE EARNINGS PER SHARE

As the Group issued no convertible debentures or other financial instruments with dilutive potential effects on ordinary share, diluted earnings per share is the same as basic earnings per share.

27. Non-controlling interest

31 DECEMBER 2021

In millions of EUR

	Stredoslovenská energetika, a.s. and its subsidiaries	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries[3]	SPP distribúcia, a.s. and its subsidiaries	eustream a.s.	Plzeňská teplárenská, a.s.	EP Produzione Centrale Livorno Ferraris S.p.A.	Other s ubsidiaries[4]	Total
Non-controlling percentage	**[5]66.19%**	**[5]52.41%**	**[5]66.19%**	**[5]66.19%**	**[5]66.19%**	**[5]75.85%**	**25.00%**		
Business activity	Distribution of electricity	Gas storage and exploration	Holding entity	Distribution of gas	Transmission of gas	Production and distribution of heat	Production of electricity and heat		
Country[1]	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Czech Republic	Italy		
Carrying amount of NCI at 31 December 2021	**502**	**193**	**(441)**	**2,027**	**1,134**	**161**	**41**	**(422)**	**3,195**
Profit (loss) attributable to non- controlling interest for the year	**51**	**41**	**(1)**	**87**	**173**	**13**	**2**	**48**	**414**
Dividends declared	**(113)**	**(1)**	**(220)**	**-**	**-**	**(5)**	**-**	**[6](40)**	**(379)**
Statement of financial position[2]									
Total assets	1,175	691	5,597	4,538	4,369	293	349		
of which: non-current	*857*	*568*	*[7]5,559*	*4,031*	*4,139*	*219*	*124*		
current	*318*	*123*	*38*	*507*	*230*	*74*	*225*		
Total liabilities	416	322	1,195	1,476	2,655	81	187		
of which: non-current	*198*	*273*	*773*	*1,361*	*2,011*	*27*	*10*		
current	*218*	*49*	*422*	*115*	*644*	*54*	*177*		
Net assets	**759**	**369**	**4,402**	**3,062**	**1,714**	**212**	**162**	**-**	**-**
Statement of comprehensive income[2]									
Total revenues	1,121	226	285	466	565	150	592		
of which: dividends received	*-*	*(8)13*	*[9]270*	*-*	*-*	*-*	*-*		
Profit after tax	77	90	268	131	261	17	6		
Total other comprehensive income for the year, net of tax	-	(0)	-	2	(373)	-	-		
Total comprehensive income for the year[2]	**77**	**90**	**268**	**133**	**(112)**	**17**	**6**	**-**	**-**
Net cash inflows (outflows)[2]	**(160)**	**(30)**	**7**	**(29)**	**23**	**18**	**(25)**	**-**	**-**

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 37 – Group entities).
(2) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.
(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.
(4) Column "Other subsidiaries" represents primarily 31% indirect non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.
(5) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.
(6) Dividends in amount of EUR 30 million were paid by EP Infrastructure, a.s.
(7) Includes EUR 4,914 million as financial investments in eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.
(8) Includes dividends from POZAGAS a.s. eliminated in calculation of NCI.
(9) Includes dividends from eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

31 DECEMBER 2020

In millions of EUR

	Stredoslovenská energetika, a.s. and its subsidiaries	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries(3)	SPP distribúcia, a.s. and its subsidiaries	eustream a.s.	Plzeňská teplárenská, a.s.	EP Produzione Centrale Livorno Ferraris S.p.A.	Other subsidiaries(4)	Total
Non-controlling percentage	(5)66.19%	(5)52.41%	(5)66.19%	(5)66.19%	(5)66.19%	(5)75.85%	25.00%		
Business activity	Distribution of electricity	Gas storage and exploration	Holding entity	Distribution of gas	Transmission of gas	Production and distribution of heat	Production of electricity and heat		
Country(1)	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Czech Republic	Italy		
Carrying amount of NCI at 31 December 2020	**599**	**187**	**(327)**	**(6)1,938**	**1,344**	**146**	**39**	**(492)**	**3,434**
Profit (loss) attributable to non- controlling interest for the year	**103**	**55**	**1**	**79**	**255**	**9**	**1**	**226**	**729**
Dividends declared	**(96)**	**(1)**	**(268)**	**-**	**-**	**(8)**	**(5)**	**(7)(364)**	**(742)**
Statement of financial position(2)									
Total assets	1,226	795	5,585	4,467	4,413	245	200		
of which: non-current	*823*	*630*	*(8)5,456*	*3,973*	*4,233*	*197*	*128*		
current	*403*	*165*	*129*	*494*	*180*	*48*	*71*		
Total liabilities	322	438	1,021	1,539	2,383	52	45		
of which: non-current	*159*	*392*	*644*	*949*	*2,104*	*25*	*11*		
current	*163*	*45*	*377*	*590*	*279*	*27*	*34*		
Net assets	**904**	**357**	**4,564**	**2,928**	**2,030**	**193**	**155**	**-**	**-**
Statement of comprehensive income(2)									
Total revenues	1,018	243	617	447	747	121	174		
of which: dividends received	-	-	*(9)584*	-	-	-	-		
Profit after tax	152	102	584	117	374	11	3		
Total other comprehensive income for the year, net of tax	-	(2)	-	1,314	(54)	-	-		
Total comprehensive income for the year(2)	**152**	**100**	**584**	**1,431**	**320**	**11**	**3**	**-**	**-**
Net cash inflows (outflows)(2)	**29**	**14**	**(10)**	**11**	**(146)**	**(6)**	**(2)**	**-**	**-**

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 37 – Group entities).
(2) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.
(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.
(4) Column "Other subsidiaries" represents primarily 31% indirect non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.
(5) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.
(6) Increase of non-controlling interest on SPP - distribúcia, a.s. relates to revaluation of property, plant and equipment of EUR 1,315 million, increasing non-controlling interest by EUR 871 million.
(7) Dividends in amount of EUR 356 million were paid by EP Infrastructure, a.s.
(8) Includes EUR 4,914 million as financial investments in eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.
(9) Includes dividends from eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

28. Loans and borrowings

In millions of EUR

	31 December 2021	31 December 2020
Issued debentures at amortised costs	4,380	3,934
Loans payable to credit institutions	1,254	1,683
Revolving credit facility	1,185	192
Lease liabilities	165	161
Factoring loans	43	24
Loans payable to other than credit institutions	32	10
Bank overdraft	7	-
Total	**7,066**	**6,004**
Non-current	6,087	4,770
Current	979	1,234
Total	**7,066**	**6,004**

The weighted average interest rate on loans and borrowings (excluding debentures) for 2021 was 1.71% (2020: 1.89%).

ISSUED DEBENTURES AT AMORTISED COSTS

Details about debentures issued as at 31 December 2021 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond II	500	12	(2)	12/02/2025	2.625	2.685
eustream bond	500	4	(3)	25/06/2027	1.625	1.759
SPPD bond	500	3	(3)	09/06/2031	1.000	1.079
EP Infrastructure 2024 notes	750	8	(2)	26/04/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(3)	30/07/2026	1.698	1.795
EP Infrastructure 2028 notes	500	2	(3)	09/10/2028	2.045	2.117
EP Infrastructure 2031 notes	500	8	(3)	02/03/2031	1.816	1.888
EPH Financing CZ 2022 notes	99	1	-	16/07/2022	[1]2.850	3.440
EPH Financing CZ 2025 notes	302	4	(4)	17/03/2025	4.500	4.870
EPH Private placements	105	1	-	18/03/2023-14/08/2025	[2]	[2]
Total	**4,356**	**47**	**(23)**	**-**	**-**	**-**

(1) Interest rate is a combination of reference interest rate (6M PRIBOR) and margin of 2.00% p.a. set for relevant interest period.
(2) Interest rates vary per issue and are fixed or a combination of reference interest rate (6M EURIBOR) floored at 1.00% and margin set for relevant interest period.

Details about debentures issued as at 31 December 2020 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/ premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond II	500	12	(3)	12/02/2025	2.625	2.685
SPPD bond	500	7	(1)	23/06/2021	2.625	2.828
EP Infrastructure 2024 notes	750	8	(3)	26/04/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(3)	30/07/2026	1.698	1.795
EP Infrastructure 2027 Private Offering	70	-	(1)	08/04/2027	[1]2.150	2.360
EP Infrastructure 2028 notes	500	2	(3)	09/10/2028	2.045	2.117
eustream bond	500	5	(3)	25/06/2027	1.625	1.759
EPH Financing CZ 2022 notes	99	1	-	16/07/2022	[2]2.360	3.440
EPH Financing CZ 2025 notes	286	4	(5)	17/03/2025	4.500	4.870
EPH Private placements	107	-	-	18/03/2023 to 14/08/2025	[3]	[3]
Total	**3,912**	**43**	**(22)**	**-**	**-**	**-**

(1) Interest rate is a combination of reference interest rate (6M EURIBOR) floored at 0.00% p.a. and margin of 2.15% p.a. set for relevant interest period.
(2) Interest rate is a combination of reference interest rate (6M PRIBOR) and margin of 2.00% p.a. set for relevant interest period.
(3) Interest rates vary per issue and are fixed or a combination of reference interest rate (6M EURIBOR) floored at 1.00% and margin set for relevant interest period.

EP INFRASTRUCTURE BONDS (2024 NOTES)

On 26 April 2018, EP Infrastructure successfully placed at par its debut international offering of EUR 750 million. Notes are issued in nominal value of EUR 100,000 each and bear 1.659% fixed rate and are unsecured ("2024 Notes"). The 2024 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2024 Notes will be redeemed at their principal amount on 26 April 2024.

The Group may prematurely redeem all, but not part, of the 2024 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2024 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2024 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2024 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2024 Notes are stated net of debt issue costs of EUR 5 million (at inception). These costs are allocated to the profit and loss account over the term of the 2024 Notes through the effective interest rate of 1.786%.

EP INFRASTRUCTURE BONDS (2026 NOTES)

On 30 July 2019, EP Infrastructure successfully placed at par its offering of EUR 600 million 1.698% fixed rate unsecured notes due in July 2026 in the denomination of EUR 100,000 each ("2026 Notes"). The 2026 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2026 Notes will be redeemed at their principal amount on 30 July 2026. The Group may prematurely redeem all, but not part, of the 2026 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2026 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2026 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2026 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2026 Notes are stated net of debt issue costs of EUR 4 million. These costs are allocated to the profit and loss over the term of the 2026 Notes through the effective interest rate of 1.795%.

EP INFRASTRUCTURE BONDS (2028 NOTES)

On 9 October 2019, EP Infrastructure, a.s. successfully placed at par its offering of EUR 500 million 2.045% fixed rate unsecured notes due in October 2028 in the denomination of EUR 100,000 each ("2028 Notes"). The 2028 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 9 October 2028.

The Group may prematurely redeem all, but not part, of the 2028 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2028 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2028 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2028 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2028 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2028 Notes through the effective interest rate of 2.117%.

EP INFRASTRUCTURE BOND (2031 NOTES)

On 2 March 2021, EP Infrastructure, a.s. successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in March 2031 in the denomination of EUR 100,000 each ("2031 Notes"). The 2031 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 2 March 2031. The proceeds of the 2031 Notes were used for partial prepayment of the Group's financial indebtedness.

The Group may prematurely redeem all, but not part, of the 2031 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2031 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2031 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2031 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2031 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2031 Notes through the effective interest rate of 1.888%.

2031 SPPD BOND

On 9 June 2021, SPP - distribúcia, a.s. issued unsecured notes in the amount of EUR 500 million with a fixed interest rate of 1% p.a. The SPPD bonds are listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The SPPD bonds are redeemable on 9 June 2031.

The SPPD bonds are unsecured. However, their terms contain a negative pledge covenant according to which SPPD or any of its subsidiaries shall not create or permit to subsist any security interest upon the whole or any part of its present or future undertakings, assets or revenues, subject to certain exceptions specified therein.

Further, SPPD may prematurely redeem all, but not part, of the 2031 notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" amount. Further, SPPD may redeem all, but not part, of the 2031 notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, holders of the 2031 notes may require the SPPD to redeem the 2031 notes prematurely at 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any. In addition, the SPPD Bonds contain customary events of defaults.

The 2031 SPPD bond is stated net of debt issue costs of EUR 2 million. These costs are amortized over the maturity of the notes to the profit and loss account through the effective interest rate of 1.079%. The proceeds of the 2031 SPPD Notes were used for repayment of the SPPD's notes due in June 2021 and general corporate purposes.

SPP INFRASTRUCTURE FINANCING BOND II (2025 NOTES)

On 12 February 2015, SPP Infrastructure Financing B.V. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The SPP Infrastructure Financing bond II is listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The bond is guaranteed unconditionally and irrevocably by Eustream. Bond may be prematurely redeemed under same conditions as Eustream bond below.

The maturity of bonds is on 12 February 2025.

The 2020 SPP Infrastructure Financing B.V. bond is stated net of debt issue costs of EUR 1 million (at inception). These costs are allocated to the profit and loss account through the effective interest rate of 2.685%.

2027 EUSTREAM BOND

On 25 June 2020, eustream, a.s. issued 7-year senior unsecured bond in the total amount of EUR 500 million bearing fixed interest rate of 1.625% per annum. The Eustream Bond is listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin.

Coupon is payable annually in arrears on 25 June of each year. The 2027 eustream bond is reported net of debt issue costs of EUR 2 million. These costs are allocated to the profit and loss account using effective interest rate of 1.759%.

Eustream may prematurely redeem all, but not part, of the 2027 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, Eustream may redeem all, but not part, of the 2027 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, Eustream may be required to offer to redeem the 2027 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

EPH FINANCING CZ (2022 NOTES)

On 16 July 2018, EPH Financing CZ, a.s. issued bonds with the expected total principal amount of EUR 117 million (CZK 3,000 million), with a possibility to increase the total principal of the bonds by 50% to CZK 4,500 million. Total principal of bonds issued as at 31 December 2021 amounts to EUR 104 million (CZK 2,601 million). The maturity of the bonds is 16 July 2022.

The 2022 Notes bear a combined interest of variable interest reference rate 6M PRIBOR and margin of 2.00% per annum, payable semi-annually in arrears on 16 January and 16 July of each year.

The EPH Financing CZ 2022 bond is stated net of debt issue costs. These costs are allocated to the profit and loss account through the effective interest rate of EUR 3.44%.

EPH FINANCING CZ (2025 NOTES)

On 17 March 2020, EPH Financing CZ, a.s. issued bonds with the expected total principal amount of EUR 202 million (CZK 5,000 million), with a possibility to increase the total principal of the bonds by 50% to CZK 7,500 million. Total principal of bonds issued as at 31 December 2021 amounts to EUR 302 million (CZK 7,500 million). The maturity of the bonds is 17 March 2025.

The 2025 Notes bear a fixed interest rate of 4.50% p.a. The EPH Financing CZ 2025 bond is stated net of debt issue costs. These costs are allocated to the profit and loss account through effective interest rate of 4.87%.

EPH PRIVATE PLACEMENTS

In course of 2020, Energetický a průmyslový holding, a.s. issued 3-Year Fixed Rate Private Placement Bonds due in 2023 and 5-Year Fixed Rate Private Placement Bonds due in 2025 in total volume of EUR 107 million (the “Issues”). EPH has used the proceeds of the Issues for general corporate purposes.

In 2021, Energetický a průmyslový holding, a.s. repaid prematurely EUR 12 million due originally in 2023 and issued 3-Year Fixed Rate Private Placement Bonds due in 2024 in total volume of EUR 10 million. EPH has used the proceeds of the Issue for general corporate purposes.

OTHER LOANS AND BORROWINGS

TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans as at 31 December 2021 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/21	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2029	1,155	72	958	125
Secured bank loan	EUR	variable*	2025	65	16	49	-
Unsecured bank loan	EUR	fixed	2028	27	5	17	5
Secured bank loan	EUR	fixed	2033	7	1	2	4
Unsecured loan	CZK	fixed	2025	19	2	17	-
Unsecured loan	EUR	fixed	2027	13	5	8	-
Revolving credit facility	EUR	variable*	2026	924	341	583	-
Revolving credit facility	GBP	variable*	2022	150	150	-	-
Revolving credit facility	CZK	variable*	2024	54	54	-	-
Revolving credit facility	USD	variable*	2022	35	35	-	-
Revolving credit facility	USD	fixed	2022	22	22	-	-
Factoring loan	EUR	variable*	2022	38	38	-	-
Factoring loan	EUR	fixed	2022	5	5	-	-
Bank overdraft	EUR	variable*	2022	7	7	-	-
Lease liabilities	n/a	n/a	n/a	165	30	81	54
Total interest-bearing liabilities				**2,686**	**783**	**1,715**	**188**

* Variable interest rate is derived as PRIBOR, EURIBOR, SONIA or Fedfunds plus a margin. All interest rates are market based.

Loans and borrowings

Terms and conditions of outstanding loans as at 31 December 2020 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/20	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2029	1,353	329	899	125
Secured bank loan	GBP	variable*	2023	119	6	113	-
Unsecured bank loan	EUR	fixed	2033	116	83	20	13
Secured bank loan	EUR	variable*	2025	95	24	71	-
Unsecured loan	EUR	fixed	2025	8	-	8	-
Unsecured loan	CZK	fixed	2021	2	2	-	-
Revolving credit facility	EUR	variable*	2025	99	89	10	-
Revolving credit facility	GBP	variable*	2023	44	11	33	-
Revolving credit facility	USD	fixed	2021	20	20	-	-
Revolving credit facility	EUR	fixed	2021	15	15	-	-
Revolving credit facility	CZK	variable*	2021	10	10	-	-
Revolving credit facility	USD	variable*	2021	4	4	-	-
Factoring loan	EUR	fixed	2021	14	14	-	-
Factoring loan	EUR	variable*	2021	10	10	-	-
Lease liabilities	-	-	-	161	29	72	60
Total interest-bearing liabilities				**2,070**	**646**	**1,226**	**198**

* Variable interest rate is derived as PRIBOR, EURIBOR, LIBOR or Fedfunds plus a margin. All interest rates are market based.

EPIF FACILITIES AGREEMENT

EP Infrastructure, a.s. is a party to a term and revolving facilities agreement dated 14 January 2020 with a group of financing banks (the “EPIF’s Facilities Agreement”), pursuant to which EPIF has been provided with term facility A in the amount of EUR 400 million due 14 January 2025 (which was fully repaid on 5 March 2021) and revolving facility B with a committed limit of EUR 400 million due 14 January 2025 (with no amount outstanding as of 31 December 2021).

The debts of EPIF under the EPIF’s Facilities Agreement are general, senior unsecured debts of the EPIF and rank equally in right of payment with the EPIF’s existing and future indebtedness that is not subordinated in right of payment.

The EPIF’s Facilities Agreement contains restrictive provisions which, among other things, limit the Group’s ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or EPIF’s ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. For example, EPIF can make distributions and certain other payments and the Group can perform acquisitions if, among other things, the Group net leverage does not exceed a certain limit, and the Group can incur additional financial indebtedness if, among other things, certain net leverage limits set for various Group levels are met, among other things, the Group’s proportionate net leverage ratio does not exceed 4.5x. The EPIF’s Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment.

NAFTA FACILITIES AGREEMENT

NAFTA is a party to a senior term and revolving facilities agreement dated 25 January 2019 with a group of financing banks (the “NAFTA’s Facilities Agreement”), pursuant to which NAFTA has been provided with a term facility in the amount of EUR 175 million due 25 January 2024 (facility was fully repaid in 2021) and a revolving facility with a committed limit of EUR 75 million due 25 January 2024 (with no amount outstanding as of 31 December 2021).

The obligations of NAFTA under the NAFTA’s Facilities Agreement are general, senior unsecured obligations and rank equally in right of payment with NAFTA’s existing and future indebtedness that is not subordinated in right of payment.

The NAFTA’s Facilities Agreement contains restrictive provisions which, among other things, limit the NAFTA’s ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or the NAFTA’s ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. The NAFTA’s Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory repayment.

NAFTA REVOLVING FACILITY AGREEMENT

NAFTA is a party to a framework agreement on provision of financial services dated 31 July 2013 with Komerční banka, a.s. (the “NAFTA’s Framework Agreement”), as amended from time to time, pursuant to which a facility in the total amount of EUR 58.5 million is available to NAFTA, which may be utilised in form of a mid-term loan (up to EUR 43.5 million, due on 24 January 2024) and/or the following forms of utilisations up to the total limit of EUR 15 million: an overdraft loan, short term loans (up to 3-month tenor), performance bonds, retention guarantees, payment guarantees, bid bonds, advance payment guarantees, documentary letters of credit, and certain specific performance bonds (up to EUR 0.5 million). As at 31 December 2021, the total amount outstanding under the NAFTA’s Framework Agreement is EUR 50 million and consists of EUR 43.5 million of a mid-term loan and EUR 6.5 million short term revolving loan.

The obligations of NAFTA under the NAFTA’s Framework Agreement are general, senior unsecured obligations and rank equally in right of payment with NAFTA’s existing and future indebtedness that is not subordinated in right of payment.

The NAFTA’s Framework Agreement contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the NAFTA’s ability to dispose of assets or merge with other companies. The restrictions are subject to a number of exceptions and qualifications. Moreover, the NAFTA’s Framework Agreement contains customary events of default, including, among other things, non payment, misrepresentation, cross-default, insolvency, insolvency proceedings, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lender may cancel its commitments and/or declare all or part of the loans or other utilisation, together with accrued interest, immediately due and payable.

EUSTREAM FACILITIES AGREEMENTS

Eustream is a party to a series of six bilateral revolving credit facility agreements dated 20 December 2019, as amended and restated from time to time, with several external lenders, and a syndicated revolving credit facility agreement dated 20 December 2019 with, among others, Slovenská sporiteľňa, a.s. as agent, and certain financial institutions named therein as lenders (the “Eustream Facilities Agreements”). The revolving facilities have terms of three to five years. In addition, commitment limits of several revolving facilities provided under the Eustream Facilities Agreements were reduced in July 2020 to the aggregate amount up to EUR 275 million (with no amount outstanding as of 31 December 2021).

The obligations of Eustream under the Eustream Facilities Agreements are general, senior unsecured obligations and rank equally in right of payment with the Eustream’s existing and future indebtedness that is not subordinated in right of payment. The final maturity dates with respect to the revolving loan facilities under the Eustream Facilities Agreements occur between 20 December 2022 and 2024.

The Eustream Facilities Agreements contain restrictive provisions and undertakings standard for this type of financing which, among other things, limit the Eustream’s ability to dispose of assets, create security, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Some of the Eustream Facilities Agreements also contain a change of control provision the triggering of which may result in mandatory prepayment. In addition, the Eustream Facilities Agreements contains customary events of defaults, including, among other things, non payment, breach of other obligations, misrepresentation, cross default, insolvency, insolvency proceedings, creditors' process, unlawfulness, repudiation and material adverse change. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

SPPD FINANCE CONTRACT I

SPPD is a party to a finance contract with the European Investment Bank ("EIB") dated 12 November 2014, as amended or restated from time to time ("SPPD Finance Contract I"). The SPPD Finance Contract I is English law governed and provides for a term loan in the aggregate amount of EUR 80 million due 23 December 2024 (with EUR 27 million outstanding as of 31 December 2021) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2014 and 2018.

The obligations of SPPD under the SPPD Finance Contract I are general, senior unsecured obligations of SPPD and rank equally in right of payment with the SPPD's existing and future indebtedness that is not subordinated in right of payment, including the SPPD Bonds. SPPD may, if it gives prior notice not less than one month, prepay the whole or any part of any tranche under the SPPD Finance Contract I, together with any accrued interest and indemnities. Furthermore, the SPPD Finance Contract I contains financial covenants involving the regular testing of the SPPD's net debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 30 June and 31 December of each year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel its commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the SPPD Finance Contract I contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the SPPD's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, the SPPD Finance Contract I contains customary events of defaults, including, among other things, non payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

SPPD FINANCE CONTRACT II

SPPD is a party to the finance contract with EIB dated 25 September 2018, as amended and/or restated from time to time ("SPPD Finance Contract II"). The SPPD Finance Contract II is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 60 million due 23 September 2029 (with EUR 60 million outstanding as of as of 31 December 2021) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2019 and 2022.

The obligations of SPPD under the SPPD Finance Contract II are general, senior unsecured obligations of SPPD and rank equally in right of payment with the SPPD's existing and future indebtedness that is not subordinated in right of payment, including the SPPD Bonds. SPPD may, if it gives prior notice of no less than 30 calendar days, prepay the whole or any part of any tranche under SPPD Finance Contract II, together with any accrued interest and indemnities. Furthermore, the SPPD Finance Contract II contains financial covenants involving the regular testing of the SPPD's net debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 31 January and 31 July of any year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the SPPD Finance Contract II contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the SPPD's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, SPPD Finance Contract II contains customary events of defaults, including, among other things, non payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

EUSTREAM FINANCE CONTRACT

Eustream is a party to the finance contract with EIB dated 27 December 2017, as amended and/or restated from time to time (the "Eustream Finance Contract"). The Eustream Finance Contract is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 65 million due 31 December 2027 (with EUR 65 million outstanding as of 31 December 2021) for the financing of the Poland-Slovak interconnector and modification of the existing compressor station at Velké Kapušany.

The obligations of Eustream under the Eustream Finance Contract are general, senior unsecured obligations of Eustream and rank equally in right of payment with the Eustream's existing and future indebtedness that is not subordinated in right of payment, including the Eustream Bonds. Furthermore, the Eustream Finance Contract contains financial covenants involving the regular testing of the Eustream's net debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 31 December and 30 June of any year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the Eustream Finance Contract contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the Eustream's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, the Eustream Finance Contract contains customary events of defaults, including, among other things, non payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

EPH TERM AND REVOLVING FACILITIES AGREEMENT

On 16 March 2021, Energetický a průmyslový holding, a.s. ("EPH") signed a new EUR 1 billion term and revolving facilities agreement with a banking syndicate comprising of several international banks. The facilities are unsecured and rank pari passu with other financial indebtedness of EPH and have a three-year term.

During 2021, EPH also signed additional bilateral commitments in total amount of EUR 745 million with both local and international banks. These additional facilities are unsecured and rank pari passu with other financial indebtedness of EPH. Tenor of these facilities reaches up to five years.

EQUITY ACCOUNTED INVESTEE – LAUSITZ ENERGIE KRAFTWERKE AG ("LEK")

In connection with the war in Ukraine, there have been considerable price distortions in the energy sector on the energy markets, which have led to corresponding fluctuations in electricity prices on the forward markets. As a result, at LEK, the liquidity risks resulting from the collateral (margin) to be provided to hedging partners have increased. In order to counteract these risks, LEK secured an additional credit limit in the mid-single-digit billion-euro range with a credit institution in March 2022. If necessary, these funds can be used to make the necessary security payments.

FAIR VALUE INFORMATION

The fair value of interest-bearing instruments held at amortised costs is shown in the table below:

In millions of EUR

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Issued debentures at amortised costs	4,380	4,448	3,934	4,002
Loans payable to credit institutions	1,254	1,256	1,683	1,671
Revolving credit facility	1,185	1,183	192	192
Lease liabilities	165	166	161	164
Factoring loans	43	43	24	25
Loans payable to other than credit institutions	32	31	10	10
Bank overdraft	7	7	-	-
Total	**7,066**	**7,134**	**6,004**	**6,064**

Issued debentures are categorised within Level 1 or 2 of the fair value hierarchy. Bank loans are categorised within Level 2 or 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

SIGNIFICANT INVESTING AND FINANCING ACTIVITIES NOT REQUIRING CASH:

In millions of EUR

	31 December 2021	31 December 2020
Investing activities	-	10
Financing activities	220	270
Total	**220**	**280**

For the years 2021 and 2020 non-cash financing activities include partial set-off of SPPI loan provided to Slovenský plynárenský priemysel, a.s. The total amount of the loan was EUR 220 million (2020: EUR 270 million), of which the amount of EUR 220 million (2020: EUR 270 million) was set-off against dividends declared by SPPI to Slovenský plynárenský priemysel, a.s.

For the year 2020, non-cash investing activities in amount of EUR 10 million represent EPH loan provided to equity accounted investee which was partially set-off against trade liability to the equity accounted investee).

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

In millions of EUR

	Liabilities							Equity				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft	Issued debentures	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2021	**1,683**	**10**	**192**	**24**	**-**	**3,934**	**161**	**234**	**1,003**	**716**	**3,434**	**11,391**
Changes from financing cash flows												
Proceeds from loans and borrowings	949	20	1,430	174	82	1,010	-	-	-	-	-	**3,665**
Repayment of borrowings	(1,379)	-	(443)	(156)	(75)	(582)	-	-	-	-	-	**(2,635)**
Transaction cost related to loans and borrowings	(6)	-	-	-	-	(5)	-	-	-	-	-	**(11)**
Payment of lease liabilities	-	-	-	-	-	-	(31)	-	-	-	-	**(31)**
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	-	-	(220)	**(220)**
Dividend paid[1]	-	-	-	-	-	-	-	-	-	(700)	(158)	**(858)**
Total change from financing cash flows	**(436)**	**20**	**987**	**18**	**7**	**423**	**(31)**	**-**	**-**	**(700)**	**(378)**	**(90)**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	2	-	(9)	7	(26)	**(26)**
Total effect of changes in foreign exchange rates	-	2	6	1	-	18	(6)	-	(54)	-	7	**(26)**
Other changes												
Liability related												
Interest expense	21	1	11	1	-	105	3	-	-	-	-	**142**
Interest paid[2]	(14)	(1)	(11)	(1)	-	(100)	(3)	-	-	-	-	**(130)**
Increase of lease liability	-	-	-	-	-	-	39	-	-	-	-	**39**
Total liability-related other changes	**7**	**-**	**-**	**-**	**-**	**5**	**39**	**-**	**-**	**-**	**-**	**51**
Equity related												
Other equity related changes	-	-	-	-	-	-	-	-	(340)	851	158	**669**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(340)**	**851**	**158**	**669**
Balance at 31 December 2021	**1,254**	**32**	**1,185**	**43**	**7**	**4,380**	**165**	**234**	**600**	**874**	**3,195**	**11,969**

(1) Dividend paid does not include dividend paid to equity accounted investees in amount of EUR 9 million as it has no impact on the items presented in the table.
(2) Interest paid does not include interest paid from interest rate swaps in amount of EUR 37 million as it has no impact on the items presented in the table.

Loans and borrowings

In millions of EUR

	Liabilities						Equity				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft	Issued debentures	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2020	**1,760**	**12**	**293**	**54**	**49**	**4,078**	**145**	**216**	**606**	**536**	**2,604**	**10,353**
Changes from financing cash flows												
Proceeds from loans and borrowings	1,341	-	76	12	46	891	-	-	-	-	-	**2,366**
Repayment of borrowings	(1,403)	(2)	(180)	(42)	(95)	(1,016)	-	-	-	-	-	**(2,738)**
Transaction cost related to loans and borrowings	(4)	-	-	-	-	(9)	-	-	-	-	-	**(13)**
Other finance fees, net	27	-	-	-	-	-	-	-	-	-	-	**27**
Payment of lease liabilities	-	-	-	-	-	-	(39)	-	-	-	-	**(39)**
Proceeds from issue of share capital	-	-	-	-	-	-	-	18	-	-	-	**18**
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	-	-	(270)	**(270)**
Dividend paid	-	-	-	-	-	-	-	-	-	(780)	(472)	**(1,252)**
Total change from financing cash flows	**(39)**	**(2)**	**(104)**	**(30)**	**(49)**	**(134)**	**(39)**	**18**	**-**	**(780)**	**(742)**	**(1,901)**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	(8)	-	10	(11)	(2)	**(11)**
Total effect of changes in foreign exchange rates	(26)	-	3	-	-	(11)	2	-	38	-	2	**8**
Other changes												
Liability related												
Interest expense	54	6	5	-	-	108	4	-	-	-	-	**177**
Interest paid	(66)	(6)	(5)	-	-	(107)	(3)	-	-	-	-	**(187)**
Increase of lease liability	-	-	-	-	-	-	60	-	-	-	-	**60**
Liability from dividends not paid	-	-	-	-	-	-	-	-	-	17	-	**17**
Total liability-related other changes	**(12)**	**-**	**-**	**-**	**-**	**1**	**61**	**-**	**-**	**17**	**-**	**67**
Equity related												
Other equity related changes	-	-	-	-	-	-	-	-	349	954	1,572	**2,875**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**349**	**954**	**1,572**	**2,875**
Balance at 31 December 2020	**1,683**	**10**	**192**	**24**	**-**	**3,934**	**161**	**234**	**1,003**	**716**	**3,434**	**11,391**

29. Provisions

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decom-missioning[3]	Other	Total
Balance at 1 January 2021	**352**	**421**	**77**	**45**	**1,137**	**69**	**2,101**
Provisions made during the period	38	1,354	18	4	64	23	**1,501**
Provisions used during the period	(18)	(450)	(29)	(8)	(28)	(15)	**(548)**
Provisions released during the period	(29)	-	(1)	(13)	(32)	(7)	**(82)**
Actuarial gains/losses	(117)	-	-	-	-	-	**(117)**
Change in provision recorded in property, plant and equipment	-	-	-	-	23	3	**26**
Acquisitions through business combinations[1]	43	-	-	-	56	3	**102**
Unwind of discount[2]	1	-	-	-	5	-	**6**
Effect of movements in foreign exchange rates	4	17	6	-	5	3	**35**
Balance at 31 December 2021	**274**	**1,342**	**71**	**28**	**1,230**	**79**	**3,024**
Non-current	*259*	*28*	*48*	*23*	*1,133*	*51*	***1,542***
Current	*15*	*1,314*	*23*	*5*	*97*	*28*	***1,482***

(1) The purchase of EP Power Minerals Group and Kraftwerk Schkopau GrB.
(2) Unwinding of discount is included in interest expense.
(3) As at 31 December 2021, the balance in amount of EUR 462 million represents mining related provisions recorded by JTSD - Braunkohlebergbau GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 191 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. The balance in amount of EUR 205 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 372 million represents other decommissioning provisions.

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decom-missioning[4]	Other	Total
Balance at 1 January 2020	**337**	**435**	**149**	**44**	**1,082**	**74**	**2,121**
Provisions made during the period	63	454	-	2	75	18	**612**
Provisions used during the period	(37)	(430)	-	-	(33)	(7)	**(507)**
Provisions released during the period	(18)	-	(66)	(4)	(16)	(5)	**(109)**
Actuarial gains/losses	24	-	-	-	-	-	**24**
Acquisitions through business combinations[1]	-	-	-	-	28	-	**28**
Transfer	-	-	-	3	(1)	(2)	**-**
Disposed entities[2]	(17)	(30)	-	-	(7)	(6)	**(60)**
Unwind of discount[3]	3	-	-	-	9	-	**12**
Effect of movements in foreign exchange rates	(3)	(8)	(6)	-	-	(3)	**(20)**
Balance at 31 December 2020	**352**	**421**	**77**	**45**	**1,137**	**69**	**2,101**
Non-current	*347*	*22*	*57*	*27*	*1,063*	*47*	***1,563***
Current	*5*	*399*	*20*	*18*	*74*	*22*	***538***

(1) The purchase of Humbly Grove Energy Limited.
(2) Disposal of Kernaman S.A.S., Pražská teplárenská a.s., Budapesti Erőmű Zrt. and Energia-pro Zrt.
(3) Unwinding of discount is included in interest expense.
(4) As at 31 December 2020, the balance in amount of EUR 436 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 194 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. The balance in amount of EUR 219 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 288 million represents other decommissioning provisions.

Accounting for provisions involves frequent use of estimates, such as probability of occurrence of uncertain events or calculation of the expected outcome. Such estimates are based on past experience, statistical models and professional judgement.

EMPLOYEE BENEFITS

The Group recorded a significant amount as provision for long-term employee benefits related to its employees. Valuations of these provisions are sensitive to assumptions used in the calculations, such as future salary and benefit levels, discount rates, employee leaving rate, late retirement rate, mortality and life expectancy. The management considered various estimated factors and how these estimates would impact the recognised provision. As a result of this analysis, no significant variances to the recorded provision are expected.

The provision for employee benefits in the amount of EUR 274 million (2020: EUR 352 million) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, Helmstedter Revier GmbH, Gazel Energie Generation S.A.S., Kraftwerk Mehrum GmbH, EP Power Minerals GmbH, MINERALplus GmbH, Saale Energie GmbH, Eggborough Power Limited, Stredoslovenská distribučná, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, eustream, a.s., Stredoslovenská energetika a.s., EP Produzione S.p.A., Fiume Santo S.p.A., EP Produzione Centrale Livorno Ferraris S.p.A., Elektrárny Opatovice, a.s. and United Energy, a.s.

I. HELMSTEDTER REVIER GMBH

The provision recorded by Helmstedter Revier GmbH amounts to EUR 31 million (2020: EUR 65 million), of which EUR 27 million (2020: EUR 30 million) represents a defined benefit pension scheme. EUR 4 million (2020: EUR 8 million) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

In millions of EUR

	2021	2020
Plan A		
Fair value of plan asset	33	33
Present value of obligations	(60)	(63)
Total employee benefit (asset)	**(27)**	**(30)**
Early retirement		
Present value of obligations	(4)	(8)
Total employee benefit (asset)	**(4)**	**(8)**

MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

In millions of EUR

	Plan A	Early retirement	Total
Balance at 1 January 2021	**(63)**	**(8)**	**(71)**
Benefits paid by plan	1	4	**5**
Current service costs	(2)	-	**(2)**
Current interest costs	-	-	**-**
Actuarial gains (losses) recognised in other comprehensive income	4	-	**4**
Balance at 31 December 2021	**(60)**	**(4)**	**(64)**

Provisions

In millions of EUR

	Plan A	PlanB	Early retirement	Total
Balance at 1 January 2020	**(59)**	**(3)**	**(14)**	**(76)**
Benefits paid by plan	1	-	6	**7**
Transfer[1]	(3)	3	-	**-**
Current service costs	(1)	-	-	**(1)**
Current interest costs	-	-	-	**-**
Actuarial gains (losses) recognised in other comprehensive income	(1)	-	-	**(1)**
Balance at 31 December 2020	**(63)**	**-**	**(8)**	**(71)**

(1) Transfer from Plan B to Plan A due to the merger of Terrakomp GmbH into Helmstedter Revier GmbH.

MOVEMENT IN FAIR VALUE OF PLAN ASSETS

In millions of EUR

	Plan A	Total
Balance at 1 January 2021	**33**	**33**
Contributions to plan assets	-	**-**
Expected return on plan assets	-	**-**
Actuarial gains (losses) recognised in other comprehensive income	-	**-**
Balance at 31 December 2021	**33**	**33**

In millions of EUR

	Plan A	Plan B	Total
Balance at 1 January 2020	**32**	**1**	**33**
Contributions to plan assets	-	-	**-**
Transfer[1]	1	(1)	**-**
Expected return on plan assets	-	-	**-**
Actuarial gains (losses) recognised in other comprehensive income	-	-	**-**
Balance at 31 December 2020	**33**	**-**	**33**

(1) Transfer from Plan B to Plan A due to the merger of Terrakomp GmbH into Helmstedter Revier GmbH.

EXPENSE RECOGNISED IN PROFIT AND LOSS

In millions of EUR

	2021	2020
Current service costs	-	(1)
Current interest costs	-	-
Total	**-**	**(1)**

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

AS AT 31 DECEMBER 2021

In %

	Plan A	Early Retirement
Discount rate	0.84	0.29
Expected return on assets	0.00	0.00
Annual rate of increase in salaries	0.00	0.00
Post retirement pension increase	0.75	1.00
Mortality & disability	(1)	(1)

(1) Assumptions regarding future mortality are based on published statistics and mortality tables RT2018G.

AS AT 31 DECEMBER 2020

In %

	Plan A	Plan B	Early Retirement
Discount rate	0.50	0.50	(0.37)
Expected return on assets	0.00	0.00	0.00
Annual rate of increase in salaries	0.00	0.00	0.00
Post retirement pension increase	1.75	1.75	1.00
Mortality & disability	(1)	(1)	(1)

(1) Assumptions regarding future mortality are based on published statistics and mortality tables RT2018G.

II. GAZEL ENERGIE GENERATION S.A.S.

The provision recorded by Gazel Energie Generation S.A.S. amounts to EUR 104 million (2020: EUR 185 million), of which EUR 104 million (2020: EUR 185 million) represents a defined benefit pension scheme.

The schedules below summarise information about the defined benefit obligations and plan assets.

In millions of EUR

	2021	2020
Plan A		
Fair value of plan asset	-	-
Present value of obligations	(31)	(53)
Total employee benefit (asset)	**(31)**	**(53)**
Plan B		
Fair value of plan asset	-	-
Present value of obligations	(2)	(1)
Total employee benefit (asset)	**(2)**	**(1)**
Plan C		
Fair value of plan asset	-	-
Present value of obligations	(70)	(130)
Total employee benefit (asset)	**(70)**	**(130)**
Plan D		
Fair value of plan asset	-	-
Present value of obligations	(1)	(1)
Total employee benefit (asset)	**(1)**	**(1)**

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

In millions of EUR

	Plan A	Plan B	Plan C	Plan D	Total
Balance at 1 January 2021	**(53)**	**(1)**	**(130)**	**(1)**	**(185)**
Benefits paid by plan	2	-	1	-	**3**
Current service costs	14	(1)	(3)	-	**10**
Current interest costs	-	-	(1)	-	**(1)**
Actuarial gains (losses)	6	-	63	-	**69**
Balance at 31 December 2021	**(31)**	**(2)**	**(70)**	**(1)**	**(104)**

In millions of EUR

	Plan A	Plan B	Plan C	Plan D	Total
Balance at 1 January 2020	**(53)**	**(5)**	**(122)**	**(2)**	**(182)**
Benefits paid by plan	3	-	-	-	**3**
Current service costs	(3)	3	2	-	**2**
Current interest costs	(1)	-	(1)	-	**(2)**
Actuarial gains (losses)	(4)	-	(17)	-	**(21)**
Disposed entities[1]	5	1	8	1	**15**
Balance at 31 December 2020	**(53)**	**(1)**	**(130)**	**(1)**	**(185)**

(1) Disposal of Kernaman S.A.S.

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

AS AT 31 DECEMBER 2021

In %

	Plan A	Plan B	Plan C	Plan D
Discount rate	1.19	0.75	1.20	1.00
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	1.50	2.50	0.00	2.50
Post retirement pension increase	2.00	0.00	0.00	0.00
Mortality & disability	(1)	(1)	(1)	(1)

(1) Assumptions regarding future mortality are based on published statistics and mortality tables TGH/TGH 05.

AS AT 31 DECEMBER 2020

In %

	Plan A	Plan B	Plan C	Plan D
Discount rate	0.80	0.50	0.80	0.75
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	1.50	2.50	0.00	2.50
Post retirement pension increase	2.00	0.00	0.00	0.00
Mortality & disability	(1)	(1)	(1)	(1)

(1) Assumptions regarding future mortality are based on published statistics and mortality tables TGH/TGH 05.

III. SSE HOLDING GROUP

PENSION PLANS

This program has a defined contribution pension plan under which the Group pays fixed contributions to third parties or government. The Group has no legal or constructive obligation to pay further funds, if the amount of plan assets is insufficient to pay all the performance of employees who are eligible for the current and prior periods.

The amount of benefits depends on several factors, such as age, years of service and salary.

UNFUNDED PENSION PLAN WITH DEFINED BENEFIT

From 2020, the companies within the SSE Holding Group signed individual collective agreements for the period 2020 – 2022, the Companies are obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary:

Years of service	Multiples of average monthly wage
10 years or less	2
11–15 years	4
16–20 years	5
21–25 years	6
25 years and more	7

The minimum requirement of the Labour Code to post the retirement, equal to one average monthly salary, is included in the above multiples.

OTHER BENEFITS

The SSE Holding Group also pays benefits for work and life anniversaries. The Group had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

IV. NAFTA GERMANY AND ITS SUBSIDIARIES

Through employer-funded company pension scheme the Group makes a contribution to employees' retirement provision and support them in the event of invalidity or bereavement. The Group pension scheme provides for a personal pension to be paid to each employee of the Group once the waiting period has elapsed. The extent of this company pension depends on the years of service and remuneration paid. In supplementation of the employer-funded pension scheme, employees also have the option of provision for retirement themselves by means of a remuneration conversion, thus additionally securing their standard of living after retirement.

V. OTHER COMPANIES

The long-term employee benefits program at the Companies (NAFTA, SPPD and eustream) is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement as a multiple of the employee's average salary and, subject to vesting conditions. To date it has been an unfunded program, with no separately allocated assets to cover the program's liabilities. The Companies also pays benefits for work and life anniversaries.

The Companies had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them

PROVISION FOR EMISSION RIGHTS

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO_2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

PROVISION FOR LAWSUITS

A provision of EUR 28 million relates mainly to litigations and claims described in Note 38 – Litigations and claims (refer to note 38 – Litigations and claims for more details).

As disclosed in Note 38 – Litigations and claims, there are other legal proceedings in which the Group is involved and for which the possibility of an outflow of resources was assessed as remote as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2021 and 31 December 2020.

PROVISION FOR RESTORATION AND DECOMMISSIONING

The provision of EUR 1,230 million (2020: EUR 1,137 million) was primarily recorded by JTSD – Braunkohlebergbau GmbH (EUR 391 million; 2020: EUR 361 million), Gazel Energie Generation S.A.S. (EUR 205 million; 2020: EUR 219 million), EP Produzione S.p.A. (EUR 108 million; 2020: EUR 112 million), Helmstedter Revier GmbH (EUR 71 million; 2020: EUR 75 million), NAFTA a.s. (EUR 98 million; 2020: EUR 92 million), Fiume Santo S.p.A. (EUR 83 million; 2020: EUR 82 million), NAFTA Germany GmbH (EUR 80 million; 2020: EUR 71 million), Humbly Grove Energy Limited (EUR 32 million; 2020: EUR 28 million), MINERALplus GmbH (EUR 30 million) and others.

I. GERMANY (JTSD – BRAUNKOHLEBERGBAU GMBH AND HELMSTEDTER REVIER GMBH)

According to the German Federal Mining Law, a mining company is obliged to re-cultivate/reclaim all the land used for mining purposes after discontinuation of mining operations. The requirements to be met for this purpose are set forth in a comprehensive framework operation plan and compliance is monitored by the mining authorities.

The following expense items are considered:

- dewatering and flooding expenses;
- creation and stability of slope systems;
- soil preparation and treatment for subsequent agricultural and forest use;
- removal of all technical plants and equipment.

As at 31 December 2021, the provision for re-cultivation of both Schleenhain and Profen strip mines recorded by JTSD – Braunkohlebergbau GmbH is based on the recommendations of The German Commission on Growth, Structural change and Employment („coal commission") from 26 January 2019 which proposes a gradual reduction and closure of all coal-fired power plants and subsequently strip mines in Germany by 2035.

Estimates are reviewed by an external expert/engineering office to ensure that mining provisions have been properly created. These external experts determine the value of all expense items listed above on the basis of usual market prices. In 2021, quantities and values were adjusted based on the latest information available. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate of 0.51% (2020: 0.13%) and a discount rate in range between 0.89%–1.08% (2020: range between 0.65%–0.82%) were used to calculate the provisions in case of JTSD – Braunkohlebergbau GmbH and annual inflation rate of 0.51% (2020: 0.13%) and a discount rate of 0.2% (2020: 0.07%) were used to calculate the provisions in case of Helmstedter Revier GmbH.

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of inflation rate by 1%	(79)	(80)
Decrease of inflation rate by 1%	65	65

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of discount rate by 1%	64	64
Decrease of discount rate by 1%	(69)	(54)

II. SLOVAKIA (POZAGAS A.S., NAFTA A.S., NAFTA GERMANY GMBH AND SPP STORAGE, S.R.O.)

POZAGAS a.s. estimated the provision for decontamination and restoration using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate of 1.22% (2020: 1.12%).

NAFTA a.s. currently has 115 production wells in addition to 236 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA a.s. has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2021: 1.08%; 2020: 0.80%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2022 and 2093.

NAFTA Germany GmbH (through its subsidiaries) currently has 48 storage wells. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA Germany GmbH has the obligation to dismantle the storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate of 1.16% (2020: 0.90 %). The provision takes into account the estimated costs for the abandonment of storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2039 and 2048.

SPP Storage, s.r.o. ("SPP Storage") currently has 3 production wells and 38 storage wells. Production wells that are currently in production are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives or after the operation of the underground storage facility is discontinued. SPP Storage, s.r.o. has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2021: 2.95%; 2020: 1.73%). The provision takes into account the estimated costs for the abandonment of production and storage wells and the costs of restoring the sites to their original condition on the basis of the actual costs for the abandonment and restoration of similar storage wells in the Czech Republic. These costs are expected to be incurred between 2034 and 2091.

The Group uses stress tests in the form of expected costs, inflation and discount rate shocks, i.e. simulated immediate increase/decrease in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for asset retirement obligations recognised by NAFTA a.s. and NAFTA Germany GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of inflation rate by 1%	(44)	(40)
Decrease of inflation rate by 1%	32	30

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for asset retirement obligations recognised by NAFTA a.s. and NAFTA Germany GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of discount rate by 1%	32	30
Decrease of discount rate by 1%	(44)	(40)

III. ITALY (EP PRODUZIONE S.P.A. AND FIUME SANTO S.P.A.)

As at 31 December 2021, the provision recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. in total amount of EUR 191 million (2020: EUR 194 million) consists of the following items:

Asset retirement costs (ARO provision) in amount of EUR 164 million (EUR 97 million for EP Produzione S.p.A. and EUR 67 million for Fiume Santo S.p.A.; 2020: EUR 171 million, of which EUR 102 million for EP Produzione S.p.A. and EUR 69 million for Fiume Santo S.p.A.) represents a liability related to the eventual retirement of tangible assets. The long term provisions are calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for health and safety risk in amount of EUR 8 million (2020: EUR 7 million) recorded by EP Produzione S.p.A. that represents potential liabilities to personnel arising from exposure to asbestos fibres.

Provision for restoration of land totalling EUR 15 million (2020: EUR 16 million) in Lombardia (Tavazzano, Ostiglia plants) and Sardegna (Fiume Santo plant) region, where the power plants are located.

Provision for other risks, totalling EUR 4 million, that represents potential liabilities arising from regulatory rules for Fiume Santo plant.

Estimated costs are adjusted by expected future inflation (0.14% for 2021; 2020: 0.00%) and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate of 0.67% (2020: 0.65%).

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of inflation rate by 1%	(18)	(20)
Decrease of inflation rate by 1%	16	18

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of discount rate by 1%	16	18
Decrease of discount rate by 1%	(18)	(20)

IV. FRANCE

As at 31 December 2021, the provision recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. in total amount of EUR 164 million (2020: EUR 172 million) consists of the following items:

Provision for dismantling the windfarms and solar farms in France in amount of EUR 6 million (2020: EUR 6 million) represents a liability related to the eventual retirement of tangible assets. The provision is calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for dismantling the power plants of Gazel Energie Generation S.A.S. amounts EUR 156 million (2020: EUR 164 million) composed as follows:

Provision for dismantling four plants in the north of France (Emile Huchet power plants) EUR 71 million (2020: EUR 71 million); provision for dismantling four plants in the south of France (Provence power plants) EUR 45 million (2020: EUR 45 million); provision for dismantling closed power plants of Hornaing and Lucy EUR 33 million (2020: EUR 41 million) and provision for restoration of land totalling EUR 7 million (2020: EUR 7 million), mainly to clean up ashes.

Estimated costs are adjusted by expected future inflation (0.33% for 2021; 0.13% for 2020) and discounted using a discount rate in range between 0.20%–1.22% (2020: 0.08%–0.63%).

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of inflation rate by 1%	(14)	(17)
Decrease of inflation rate by 1%	10	15

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
Increase of discount rate by 1%	10	13
Decrease of discount rate by 1%	(12)	(15)

V. OTHER

Other companies estimated the provision for decontamination and restoration and long-term asset retirement using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate.

Those sites have not been included in stress testing as the change in provisions due to a change in parameters would have insignificant impact on the Group’s financial statements.

30. Deferred income

In millions of EUR

	31 December 2021	31 December 2020
Government grants	92	90
Other deferred income	34	91
Total	**126**	**181**
Non-current	98	88
Current	28	93
Total	**126**	**181**

Balance of government grants in amount of EUR 92 million (2020: EUR 90 million) is mainly represented by eustream, a.s. of EUR 58 million (2020: EUR 58 million), Elektrárny Opatovice, a.s. of EUR 20 million (2020: EUR 19 million), Severočeská teplárenská, a.s. of EUR 7 million (2020: EUR 7 million) and Alternative Energy, s.r.o. of EUR 3 million (2020: EUR 3 million).

Balance of government grants recognized by eustream is primarily represented by subsidies from the European Commission relating to projects such as interconnection pipelines between Poland and Slovakia or Hungary and Slovakia.

Elektrárny Opatovice, a.s. and Alternative Energy, s.r.o. were provided with government grants to reduce emission pollutions and to build biogas facility. Deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of other deferred income in amount of EUR 34 million (2020: EUR 91 million) is mainly represented by EP Cargo a.s. of EUR 11 million (2020: EUR 11 million), Gazel Energie Generation S.A.S. of EUR 6 million (2020: EUR 24 million), Gazel Energie Solutions S.A.S. of EUR 6 million (2020: EUR 3 million) and in 2020 also by EP Commodities, a.s. of EUR 43 million. The deferred income of Gazel Energie Generation S.A.S. is associated with capacity market payments, which will be recognised in income statement after the utilization of capacity in the following years. EP Cargo a.s.'s deferred income represents compensation raised from a business partner from an unrealized business case. The compensation covers capitalized additional investment costs and expected losses from a previously concluded rent contract. Because the losses from the rent contract occur over duration of the contract and because the capitalized costs are depreciated over time, the compensation is also recognized in revenues over time. In 2020, other deferred income of EP Commodities, a.s. represents prepayments for gas to be delivered in 2021. This deferred income was released in 2021.

31. Financial instruments

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In millions of EUR

	31 December 2021	31 December 2020
Assets carried at amortised cost		
Loans to other than credit institutions	96	279
Other short-term deposits	12	8
Impairment of loans to other than credit institutions	(14)	(178)
Total	**94**	**109**
Assets carried at fair value		
Hedging: *of which*	645	49
Commodity derivatives cash flow hedge[(1)]	*643*	*49*
Currency forwards cash flow hedge	*2*	*-*
Other derivatives fair value hedge	*-*	*-*
Non-hedging: *of which*	3,329	357
Commodity derivatives reported as trading[(2)]	*3,291*	*329*
Equity option at fair value through PL	*20*	*-*
Currency forwards reported as trading	*16*	*14*
Interest rate swaps reported as trading	*2*	*14*
Equity instruments at fair value through OCI: *of which*	87	34
Shares at fair value through OCI	*87*	*34*
Equity instruments at fair value through PL: *of which*	8	-
Shares at fair value through PL	*8*	*-*
Total	**4,069**	**440**
Non-current	395	142
Current	3,768	407
Total	**4,163**	**549**

(1) Commodity derivatives designated as cash flow hedges primarily relate to forwards or other type of derivative contracts for sale/purchase of electricity and gas. EP ENERGY TRADING, a.s. hedges the cash flows related to purchase/sale of electricity utilised for electricity supply to final customers. Additionally, eustream, a.s. is active in hedging cash inflows predominantly from gas-in-kind received from shippers. eustream, a.s. regularly performs estimations of the surplus of natural gas from received gas-in-kind and enters into short and mid-term commodity swaps in order to hedge its natural gas selling prices.

(2) Commodity derivatives reported as trading relate mainly to risk management activities on our supply and generation business for which however the Group does not maintain formal hedge accounting documentation required by IFRS.

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In millions of EUR

	31 December 2021	31 December 2020
Liabilities carried at amortised cost		
Issued bills of exchange at amortised costs	42	110
Total	**42**	**110**
Liabilities carried at fair value		
Hedging: *of which*	1,437	122
Commodity derivatives cash flow hedge	*1,431*	*38*
Interest rate swaps cash flow hedge	*3*	*64*
Currency forwards cash flow hedge	*3*	*20*
Non-hedging: *of which*	4,282	586
Commodity derivatives reported as trading [1]	*4,127*	*433*
Interest rate swaps reported as trading	*138*	*147*
Currency forwards reported as trading	*17*	*6*
Total	**5,719**	**708**
Non-current	672	210
Current	5,089	608
Total	**5,761**	**818**

(1) Commodity derivatives reported as trading relate mainly to risk management activities on our supply and generation business for which however the Group does not maintain formal hedge accounting documentation required by IFRS.

The weighted average interest rate on loans to other than credit institutions for 2021 was 4.76% (2020: 4.05%).

The increased balances of commodity derivatives reported as trading are caused primarily by increased prices of the underlying commodities (mainly electricity, gas and emission rights) which has led to higher fair value revaluations of the opened positions, and by increased volumes of trades in 2021 as compared to 2020.

As at 31 December 2020, the Group reported a valuation allowance of EUR 171 million to loan provided to its associate Przedsiębiorstwo Górnicze SILESIA Sp. z o.o. (“PGS”). During first half of 2021, the Group disposed its interest in PGS (refer to Note 6 – Acquisitions and disposals of subsidiaries, joint-ventures and associates) and transferred the corresponding loan to PGS to a third party.

Provisions

Fair values and respective nominal amounts of derivatives are disclosed in the following table:

In millions of EUR

	31 December 2021		31 December 2021	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	3,133	(4,031)	645	(1,437)
Commodity derivatives cash flow hedge	*2,200*	*(3,074)*	*643*	*(1,431)*
Currency forwards cash flow hedge	*861*	*(882)*	*2*	*(3)*
Interest rate swaps cash flow hedge	*72*	*(75)*	*-*	*(3)*
Non-hedging: *of which*	11,540	(12,311)	3,329	(4,282)
Commodity derivatives reported as trading	*7,804*	*(8,547)*	*3,291*	*(4,127)*
Equity option at fair value through PL	*-*	*-*	*20*	*-*
Currency forwards reported as trading	*1,875*	*(1,863)*	*16*	*(17)*
Interest rate swaps reported as trading	*1,861*	*(1,901)*	*2*	*(138)*
Total	**14,673**	**(16,342)**	**3,974**	**(5,719)**

In millions of EUR

	31 December 2020		31 December 2020	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	3,203	(3,196)	49	(122)
Interest rate swaps cash flow hedge	*1,633*	*(1,638)*	*-*	*(64)*
Commodity derivatives cash flow hedge	*603*	*(577)*	*49*	*(38)*
Currency forwards cash flow hedge	*967*	*(981)*	*-*	*(20)*
Non-hedging: *of which*	8,135	(8,264)	357	(586)
Commodity derivatives reported as trading	*4,571*	*(4,653)*	*329*	*(433)*
Currency forwards reported as trading	*1,175*	*(1,161)*	*14*	*(6)*
Interest rate swaps reported as trading	*2,389*	*(2,450)*	*14*	*(147)*
Total	**11,338**	**(11,460)**	**406**	**(708)**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 35 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR where the contractual condition of derivatives does not meet the “own use exemption” as noted in IFRS 9.2.4.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 35 – Risk management policies and disclosures.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

In general, financial instruments carried at fair value are measured based on quoted market prices at the reporting date. If the market for a financial instrument is not active, fair value is established using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information that market participants would use in setting a price for the financial instrument.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In millions of EUR

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: *of which*	-	645	-	**645**
Commodity derivatives cash flow hedge	-	*643*	-	***643***
Currency forwards cash flow hedge	-	*2*	-	***2***
Non-hedging: *of which*	-	3,329	-	**3,329**
Commodity derivatives reported as trading	-	*3,291*	-	***3,291***
Equity option at fair value through PL	-	*20*	-	***20***
Currency forwards reported as trading	-	*16*	-	***16***
Interest rate swaps reported as trading	-	*2*	-	***2***
Equity instruments at fair value through OCI: *of which*	-	-	87	**87**
Shares at fair value through OCI	-	-	*87*	***87***
Equity instruments at fair value through PL: *of which*	8	-	-	**8**
Shares at fair value through PL	*8*	-	-	***8***
Total	**8**	**3,974**	**87**	**4,069**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	1,437	-	**1,437**
Commodity derivatives cash flow hedge	-	*1,431*	-	***1,431***
Interest rate swaps cash flow hedge	-	*3*	-	***3***
Currency forwards cash flow hedge	-	*3*	-	***3***
Non-hedging: *of which*	-	4,282	-	**4,282**
Commodity derivatives reported as trading	-	*4,127*	-	***4,127***
Interest rate swaps reported as trading	-	*138*	-	***138***
Currency forwards reported as trading	-	*17*	-	***17***
Total	**-**	**5,719**	**-**	**5,719**

In millions of EUR

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: *of which*	-	49	-	**49**
Commodity derivatives cash flow hedge	-	*49*	-	***49***
Non-hedging: *of which*	-	357	-	**357**
Commodity derivatives reported as trading	-	*329*	-	***329***
Currency forwards reported as trading	-	*14*	-	***14***
Interest rate swaps reported as trading	-	*14*	-	***14***
Equity instruments at fair value through OCI: *of which*	-	-	34	**34**
Shares at fair value through OCI	-	-	*34*	***34***
Total	**-**	**406**	**34**	**440**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	122	-	**122**
Interest rate swaps cash flow hedge	-	*64*	-	***64***
Commodity derivatives cash flow hedge	-	*38*	-	***38***
Currency forwards cash flow hedge	-	*20*	-	***20***
Non-hedging: *of which*	-	586	-	**586**
Commodity derivatives reported as trading	-	*433*	-	***433***
Interest rate swaps reported as trading	-	*147*	-	***147***
Currency forwards reported as trading	-	*6*	-	***6***
Total	**-**	**708**	**-**	**708**

There were no transfers between fair value levels in either 2021 or 2020.

The fair value of financial instruments held at amortised costs is shown in the table below:

In millions of EUR

	Carrying value	Fair value
	31 December 2021	31 December 2021
Financial assets		
Loans to other than credit institutions	(1)82	83
Other short-term deposits	12	12
Total	**94**	**95**
Financial liabilities		
Issued bills of exchange at amortised costs	42	42
Total	**42**	**42**

In millions of EUR

	Carrying value	Fair value
	31 December 2020	31 December 2020
Financial assets		
Loans to other than credit institutions	(1)101	137
Other short-term deposits	8	8
Total	**109**	**145**
Financial liabilities		
Issued bills of exchange at amortised costs	110	110
Total	**110**	**110**

(1) Loans to other than credit institutions are stated net of impairment.

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

TRANSACTIONS WITH EMISSION RIGHTS NOT RECOGNIZED IN BALANCE SHEET

The following information pertains to contracts on delivery or sale of emission rights. These contracts meet the requirements of IFRS 9 for the application of the own-use exemption and therefore do not fall in the scope of IFRS 9 (refer to Note 3(f) – Derivative financial instruments – Transactions with emission rights and energy) and are reported as off-balance sheet items, not derivatives. The management carefully assessed conditions of the contracts and concluded that all contracts are intended to be settled via physical delivery needed for consumption or physically delivered quantities shall be sold as part of its ordinary business, therefore the contracts are not reported as derivatives.

As at 31 December 2021 the Group is contractually obliged to forward purchase 11,268,000 pieces (2020: 10,652,000 pieces) of emission rights at an average price 60.91 EUR/piece (2020: 24.38 EUR/piece), with delivery between 2022 and 2024.

32. Trade payables and other liabilities

In millions of EUR

	31 December 2021	31 December 2020
Trade payables	605	643
Estimated payables	539	96
Margin of stock exchange derivatives	353	23
Accrued expenses	208	145
Other tax liabilites	153	92
Uninvoiced supplies	144	84
Payroll liabilities	113	103
Other contingent consideration(1)	76	41
Advance payments received	23	4
Retentions to contractors	2	2
Liabilities to partners and associations	1	9
Other liabilities	112	158
Total	**2,329**	**1,400**
Non-current	89	118
Current	2,240	1,282
Total	**2,329**	**1,400**

(1) In 2016, the EPH Group acquired 33% share in SPH Group. In addition to the purchase price paid upon closing of the first stage of the transaction, remaining part of the purchase price will be subject to a price adjustment mechanism. As at 31 December 2021, EPH Group recognised a liability of EUR 76 million as an estimate of probable future payment (2020: EUR 41 million).

Trade payables and other liabilities have not been secured as at 31 December 2021 and 31 December 2020.

As at 31 December 2021 and 2020, no liabilities to social and health insurance or tax authorities were overdue.

Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

As at 31 December 2021 and 2020, the fair values of trade payables and other liabilities equal to their carrying amounts.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 35 – Risk management policies and disclosures.

33. Commitments and contingencies

OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2021	31 December 2020
Commitments	1,771	955
Granted pledges - securities	522	3,851
Guarantees given	66	70
Other granted pledges	1,490	1,453
Total	**3,849**	**6,329**

GRANTED PLEDGES – SECURITIES

Granted pledges represent securities of individual Group companies used as collateral for external financing.

As at 31 December 2020, the amount of EUR 3,469 million represents pledges recognized by EPIF Investments, a.s., which entered into a senior contract on a fixed-term credit facility with a financing bank on 18 June 2019 as amended from time to time. This loan was secured by a pledge of shares of the subsidiary EP Infrastructure, a.s. and a pledge on the EPIF Investment's current bank account. These pledges were cancelled in first half of 2021.

GUARANTEES GIVEN

Guarantees given include mainly guarantees in the amount of EUR 44 million (2020: EUR 55 million) used as collateral for external financing obtained by equity-accounted investees and payment guarantees of EUR 22 million (2020: EUR 15 million).

COMMITMENTS

In 2018, Mitteldeutsche Braunkohlengesellschaft mbH ("MIBRAG") concluded agreements with Saxony's Upper Mining Authority ("SOBA") and Saxony-Anhalt's State Office of Geology and Mining ("LAGB"), to ensure that the expenses for restoring open-cast mines are covered. The concluded agreements provide for the establishment of a special fund designed to financially shore up future liquidity requirements, which is to be set up successively by transferring certain assets to developed companies by MIBRAG and by reinvesting the assets within the fund. The special fund including the income generated by this fund will be pledged "insolvency-proof" as security to the States of Saxony and Saxony-Anhalt. A total of EUR 358 million is to be accrued by the special purpose vehicles by 2034 (Profen) and 2035 (Schleenhain). Subsequently, the accrued funds will be continuously reduced as the rehabilitation obligations are successively met. The agreement makes it possible to accrue the total amount over time (not as a lump sum) until 2034 and 2035 respectively.

The two special purpose vehicles were established in the previous year and, as contractually agreed, the scheduled initial endowment took place in 2021. Discussions on the adjustment of the precaution concepts against the background of shortened opencast mining periods in accordance with the requirements of the Kohleverstromungsbeendigungsgesetz ("KVBG") were initiated with the mining authorities in 2021 and are currently ongoing.

In case of Lynemouth Power Limited, approximately 75–88% of annual biomass consumption (average annual consumption representing 1.5 megatonnes) has been contracted under two "take or pay" schemes, with a certain flexibility. Both contracts are concluded until 31 December 2027.

Majority of remaining commitments is represented by contracts to purchase physical energy in following years by SSH Group (Stredoslovenská energetika holding, a.s. including all its subsidiaries) in amount of EUR 615 million (2020: EUR 273 million), where physical delivery of the energy will be realised in future, majority of which in 2022. Contracts for purchase of non-current assets of EUR 25 million (2020: EUR 40 million) are recognized by eustream, a.s. and of EUR 17 million (2020: EUR 21 million) by SSE Group and contracts for future purchase of emission rights of EUR 686 million (2020: EUR 260 million) are recognized by EP Produzione S.p.A., JTSD – Braunkohlebergbau GmbH, Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s. EUR 29 million recorded by SSD relate to the amount of an expected compensation from the regulator, which shall cover an insufficient compensation of power distribution losses in 2021. According to the relevant legislation, the compensation shall be received in 2023. Remaining EUR 41 million (2020: EUR 39 million) arise from different type of service contracts.

OTHER GRANTED PLEDGES

In millions of EUR

	31 December 2021	31 December 2020
Trade receivables	637	238
Property, plant and equipment	626	700
Cash and cash equivalents[1]	186	447
Inventories	41	57
Loans granted[2]	-	11
Total	**1,490**	**1,453**

(1) Pledged cash and cash equivalents include pledged restricted cash of EUR 16 million (2020: EUR 26 million).
(2) In 2020, total balance of pledged granted loans includes intercompany loans of EUR 11 million, which are eliminated in these consolidated financial statements.

Other granted pledges include net book value of property, plant and equipment, cash and cash equivalents, trade receivables, inventories and loans granted pledged mainly by EP SHB Limited, EP Langage Limited and Lynemouth Power Limited. Total value of assets pledged by each of these companies is limited by value of net assets. Pledged cash is readily available unless the respective entities are in the event of default.

OFF BALANCE SHEET ASSETS

In millions of EUR

	31 December 2021	31 December 2020
Received promises	1,730	1,631
Other received guarantees and warranties	270	146
Total	**2,000**	**1,777**

RECEIVED PROMISES

Received promises mainly comprise the loan commitments received by the various companies within the Group in amount of EUR 1,143 million (2020: EUR 1,282 million). Contracts for the future sale of energy in amount of EUR 587 million (2020: EUR 349 million) is recognised by SSH Group.

OTHER RECEIVED GUARANTEES AND WARRANTIES

Other received guarantees and warranties mainly consist of guarantees received from parent company of the customer to secure trade receivables in the amount of EUR 100 million (2020: EUR 112 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and guarantees received from banks of EUR 160 million (2020: EUR 21 million) recognised by NAFTA a.s. and payment guarantees of EUR 8 million recognized by Gazel Energie Solutions S.A.S. (2020: EUR 13 million).

34. Leases

A LEASES AS A LESSEE

The Group leases buildings, pipelines, locomotives and wagons and personal cars. The leases have various lease terms and run under various period of time. For some leases, the Group has an option to renew the lease after the end of the lease term.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases (lease term 12 months or shorter). The Group recognises the lease payments associated with these leases as an expense.

RIGHT-OF-USE ASSETS

Right-of-use assets related to leased land and buildings and technical equipment, plant and machinery that do not meet the definition of investment property are presented as property, plant and equipment (refer to Note 16).

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 January 2021	**34**	**125**	**159**
Depreciation charge for the year	(7)	(28)	(35)
Additions to right-of-use assets	18	21	39
Additions in business combinations	1	1	2
Disposals	(1)	(2)	(3)
Modifications to right-of-use assets	-	-	-
Effects of movements in foreign exchange rate	1	6	7
Balance at 31 December 2021	**46**	**123**	**169**

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 January 2020	**43**	**96**	**139**
Depreciation charge for the year	(6)	(24)	(30)
Additions to right-of-use assets	6	54	60
Additions in business combinations	1	-	1
Modifications to right-of-use assets	1	1	2
Disposed entities	(9)	-	(9)
Effects of movements in foreign exchange rate	(2)	(2)	(4)
Balance at 31 December 2020	**34**	**125**	**159**

MATURITY ANALYSIS OF LEASE LIABILITIES

In millions of EUR

	31 December 2021	31 December 2020
Undiscounted contractual cash flows by maturity		
Up to 3 months	6	10
3 months to 1 year	26	27
1–5 years	91	75
Over 5 years	48	61
Total undiscounted contractual cash flows	**171**	**173**
Carrying amount	**165**	**161**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2021	2020
Depreciation charge for the year	(35)	(30)
Interest on lease liabilities	(3)	(4)
Expenses related to short-term leases	(5)	(3)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(4)	(6)
Expenses related to variable lease payments not included in measurement of lease liability	(1)	(1)

AMOUNTS RECOGNIZED IN STATEMENT OF CASH FLOWS

In millions of EUR

	2021	2020
Total cash outflow for leases	(31)	(39)

B LEASES AS A LESSOR

OPERATING LEASES

During the year ended 31 December 2021, EUR 8 million (2020: EUR 6 million) was recognised as income in profit or loss in respect of operating leases.

35. Risk management policies and disclosures

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risks. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate, commodity price risk, foreign exchange risk, concentration risk and regulatory risk.

As part of its operations, the Group is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices. To minimise this exposure, the Group enters into derivatives contracts to mitigate or manage the risks associated with individual transactions and overall exposures, using instruments available on the market.

A CREDIT RISK

I. EXPOSURE TO CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group uses credit databases for analysis of creditworthiness of new customers and after deemed creditworthy they are also subject to Risk committee approval. The Group's policy is also to require suitable collateral to be provided by customers such as a bank guarantee or a parent company guarantee. The exposure to credit risk is monitored on an ongoing basis.

ADDITIONAL ASPECTS MITIGATING CREDIT RISK

The Group operates mainly as an energy and power generation and distribution company, and thus has a specific customer structure. The distribution companies represent a comparatively low credit risk. The large clients are dependent upon electricity supplies which significantly mitigates the credit risks. In addition, bank guarantees and advance payments are required before active operation with traders. Previous experience shows that such elements are very favourable in terms of credit risk mitigation. Customers of distribution and supply segment of Heat Infra segment are required to pay prepayments which further decrease credit risk. In energy and power generation sector, increasing proportion of the revenues is generated from the regulated and/or state-controlled entities (especially in relation to the green energy production and services provided to grids; refer to Note 3(o) – Revenues for description of grid services), which represent a comparatively low credit risk. At the same time substantial volume of the transactions is done with large clients with solid credit standing and/or are realized through exchanges, which provides for further risk mitigation.

The carrying amount of financial assets (plus guarantees issued) represents the maximum credit exposure if counterparties fail to carry out completely their contractual obligations and any collateral or security proves to be of no value. The maximum credit exposure amounts disclosed below therefore greatly exceed expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses. The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

CREDIT RISK BY TYPE OF COUNTERPARTY

AS AT 31 DECEMBER 2021

In millions of EUR

	Corporate (non-financial institutions	State, government	Financial institutions	Banks	Individuals	Other	Total
Assets							
Cash and cash equivalents	-	-	-	2,497	-	-	**2,497**
Restricted cash	-	-	-	23	-	-	**23**
Contract assets	37	-	-	-	-	-	**37**
Trade receivables and other assets	3,427	485	-	23	21	19	**3,975**
Financial instruments and other financial assets	4,074	-	15	74	-	-	**4,163**
Total	**7,538**	**485**	**15**	**2,617**	**21**	**19**	**10,695**

AS AT 31 DECEMBER 2020

In millions of EUR

	Corporate (non-financial institutions	State, government	Financial institutions	Banks	Individuals	Other	Total
Assets							
Cash and cash equivalents	-	-	-	1,753	-	-	**1,753**
Restricted cash	1	-	-	33	-	-	**34**
Contract assets	54	-	-	-	-	-	**54**
Trade receivables and other assets	1,107	215	1	21	41	44	**1,429**
Financial instruments and other financial assets	514	-	-	35	-	-	**549**
Total	**1,676**	**215**	**1**	**1,842**	**41**	**44**	**3,819**

CREDIT RISK BY LOCATION OF DEBTOR

AS AT 31 DECEMBER 2021

In millions of EUR

	Czech Republic	Slovakia	Switzerland	Italy	Poland	Germany	Hungary	United Kingdom	France	Ireland	Other	Total
Assets												
Cash and cash equivalents	563	254	55	582	4	122	3	851	45	11	7	**2,497**
Restricted cash	2	-	-	-	-	2	-	19	-	-	-	**23**
Contract assets	11	25	-	-	-	-	-	1	-	-	-	**37**
Trade receivables and other assets	206	205	31	756	18	643	32	892	272	132	788	**3,975**
Financial instruments and other financial assets	352	188	95	61	8	333	29	660	2,348	-	89	**4,163**
Total	**1,134**	**672**	**181**	**1,399**	**30**	**1,100**	**64**	**2,423**	**2,665**	**143**	**884**	**10,695**

AS AT 31 DECEMBER 2020

In millions of EUR

	Czech Republic	Slovakia	Switzerland	Italy	Poland	Germany	Hungary	United Kingdom	France	Ireland	Other	Total
Assets												
Cash and cash equivalents	379	423	334	320	3	95	31	95	63	5	5	**1,753**
Restricted cash	2	1	-	-	-	-	-	29	-	1	1	**34**
Contract assets	30	23	1	-	-	-	-	-	-	-	-	**54**
Trade receivables and other assets	146	196	36	277	14	243	12	225	168	23	89	**1,429**
Financial instruments and other financial assets	99	14	30	18	7	45	27	156	118	-	35	**549**
Total	**656**	**657**	**401**	**615**	**24**	**383**	**70**	**505**	**349**	**29**	**130**	**3,819**

As at 31 December 2021, location Other comprises mainly debtors located in Luxembourg and Austria (2020: Austria and Belgium).

II. IMPAIRMENT LOSSES

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired financial assets ("POCI"). At the date of the initial recognition, the assets is included in Stage I or POCI. Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), respectively credit impaired assets (Stage III).

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. For more information refer to Note 3(i) ii – Impairment – Financial assets (including trade and other receivables and contract assets).

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The following table provides information about the changes in the loss allowance during the period.

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2021	**(4)**	**(5)**	**(195)**	**-**	**(204)**
Impairment losses recognised during the year	(14)	(2)	(14)	-	**(30)**
Reversal of impairment losses recognised during the year	-	-	8	-	**8**
Decrease due to derecognition of impaired assets	-	-	171	-	**171**
Write-offs	2	-	1	-	**3**
Effects of movements in foreign exchange rate	(1)	-	(8)	-	**(9)**
Balance at 31 December 2021	**(17)**	**(7)**	**(37)**	**-**	**(61)**

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2020	**(5)**	**(6)**	**(370)**	**-**	**(381)**
Impairment losses recognised during the year	(2)	(1)	(11)	-	**(14)**
Reversal of impairment losses recognised during the year	2	1	14	-	**17**
Decrease due to derecognition of impaired assets	-	-	157	-	**157**
Transfer between stages	-	1	(1)	-	**-**
Change in credit risk	1	-	-	-	**1**
Write-offs	-	-	2	-	**2**
Disposed entities	-	-	1	-	**1**
Effects of movements in foreign exchange rate	-	-	13	-	**13**
Balance at 31 December 2020	**(4)**	**(5)**	**(195)**	**-**	**(204)**

The most significant change which contributed to change in the loss allowance during 2021 was mainly derecognition of impaired financial assets including loss allowances (2020: derecognition of impaired financial assets including loss allowances). For more information on creation of loss allowance refer to Note 31 – Financial instruments.

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2021 and 2020 were as follows:

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Balance at 1 January 2021	**(178)**	**-**	**(26)**	**(204)**
Impairment losses recognised during the year	(6)	-	(24)	**(30)**
Reversals of impairment losses recognised during the year	4	-	4	**8**
Decrease due to derecognition of impaired assets	171	-	-	**171**
Write-offs	-	-	3	**3**
Effects of movements in foreign exchange rate	(5)	-	(4)	**(9)**
Balance at 31 December 2021	**(14)**	**-**	**(47)**	**(61)**

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Balance at 1 January 2020	**(355)**	**-**	**(26)**	**(381)**
Impairment losses recognised during the year	(7)	-	(7)	**(14)**
Reversals of impairment losses recognised during the year	14	-	3	**17**
Decrease due to derecognition of impaired assets	157	-	-	**157**
Change in credit risk	-	-	1	**1**
Write-offs	-	-	2	**2**
Disposed entities	-	-	1	**1**
Effects of movements in foreign exchange rate	13	-	-	**13**
Balance at 31 December 2020	**(178)**	**-**	**(26)**	**(204)**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was:

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2021

In millions of EUR

	Other term deposits	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	12	36	81	3,913	**4,042**
After maturity (net)	-	1	1	62	**64**
Total	**12**	**37**	**82**	**3,975**	**4,106**
A – Assets (gross)					
– before maturity	12	36	89	3,926	**4,063**
– after maturity <30 days	-	1	-	44	**45**
– after maturity 31–180 days	-	-	3	26	**29**
– after maturity 181–365 days	-	-	-	11	**11**
– after maturity >365 days	-	-	4	15	**19**
Total assets (gross)	**12**	**37**	**96**	**4,022**	**4,167**
B – Loss allowances for assets					
– before maturity	-	-	(8)	(13)	**(21)**
– after maturity <30 days	-	-	-	(1)	**(1)**
– after maturity 31–180 days	-	-	(2)	(9)	**(11)**
– after maturity 181–365 days	-	-	-	(9)	**(9)**
– after maturity >365 days	-	-	(4)	(15)	**(19)**
Total loss allowances	**-**	**-**	**(14)**	**(47)**	**(61)**
Total assets (net)	**12**	**37**	**82**	**3,975**	**4,106**

AS AT 31 DECEMBER 2020

In millions of EUR

	Other term deposits	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	8	54	101	1,420	**1,583**
After maturity (net)	-	-	-	9	**9**
Total	**8**	**54**	**101**	**1,429**	**1,592**
A – Assets (gross)					
– before maturity	8	54	279	1,428	**1,769**
– after maturity <30 days	-	-	-	5	**5**
– after maturity 31–180 days	-	-	-	3	**3**
– after maturity 181–365 days	-	-	-	2	**2**
– after maturity >365 days	-	-	-	17	**17**
Total assets (gross)	**8**	**54**	**279**	**1,455**	**1,796**
B – Loss allowances for assets					
– before maturity	-	-	(178)	(8)	**(186)**
– after maturity <30 days	-	-	-	-	**-**
– after maturity 31–180 days	-	-	-	(1)	**(1)**
– after maturity 181–365 days	-	-	-	(1)	**(1)**
– after maturity >365 days	-	-	-	(16)	**(16)**
Total loss allowances	**-**	**-**	**(178)**	**(26)**	**(204)**
Total assets (net)	**8**	**54**	**101**	**1,429**	**1,592**

Impairment losses on financial assets at amortized cost are calculated based on a 3-stage model. Impairment losses from credit impaired financial assets relate either to trade receivables due from several customers which have already been impaired at the date of the application of a 3-stage model or to receivables where events that have a detrimental impact on the estimated future cash flows of the asset have occurred. Remaining amount of impairment losses represents loss allowances at an amount equal to expected credit losses.

Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on historical provision matrix. Probability of default is taken from a historical provision matrix (set up separately by each component) with element of forward-looking information (the Group incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was not significant as at 31 December 2021.

The allowance for impairment in respect of financial assets is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting loss allowance would be negligible.

B LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Various methods of managing liquidity risk are used by individual companies in the Group.

The Group's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

Typically the Group ensures that it has sufficient cash on demand and assets within short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below provides an analysis of financial liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest required repayment date is shown.

MATURITIES OF FINANCIAL LIABILITIES

AS AT 31 DECEMBER 2021

In millions of EUR

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	(2)**7,066**	7,420	161	891	4,146	2,222
Trade payables and other liabilities	(3)**2,072**	2,072	1,104	879	89	-
Financial instruments and financial liabilities	(4)**5,171**	5,171	652	3,847	666	6
Total	**14,309**	**14,663**	**1,917**	**5,617**	**4,901**	**2,228**
Net liquidity risk position(5)	**(4,858)**	**(5,201)**	**2,888**	**(1,363)**	**(4,504)**	**(2,222)**

* Contract liabilities in amount of EUR 156 million are not shown in the table above as these items are not expected to cause any future cash outflow.
(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 1,143 million.
(3) Advances received and margin payments in amount of EUR 257 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Margin payments paid in amount of EUR 590 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Margin payments represent already cash-effective changes resulting from derivative financial instruments.
(5) Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa. Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 1,120 million as these items will cause no future cash outflow and equity instruments in amount of EUR 87 million as these items are non-monetary assets.

AS AT 31 DECEMBER 2020

In millions of EUR

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	(2)**6,004**	6,381	160	1,171	3,102	1,948
Trade payables and other liabilities	(3)**1,396**	1,396	894	384	74	44
Financial instruments and financial liabilities	**(4)808**	808	45	476	261	26
Total	**8,208**	**8,585**	**1,099**	**2,031**	**3,437**	**2,018**
Net liquidity risk position(5)	**(4,575)**	**(4,876)**	**1,583**	**(1,298)**	**(3,281)**	**(1,880)**

* Contract liabilities in amount of EUR 185 million are not shown in the table above as these items are not expected to cause any future cash outflow.
(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 1,282 million.
(3) Advances received in amount of EUR 4 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Margin payments paid in amount of EUR 10 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Margin payments represent already cash-effective changes resulting from derivative financial instruments.
(5) Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa. Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 100 million as these items will cause no future cash outflow and equity instruments in amount of EUR 32 million as these items are non-monetary assets.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

C INTEREST RATE RISK

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount lower than or equal to that of the underlying financial liability and expiry date, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2021 is as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	2,497	-	-	-	**2,497**
Restricted cash	23	-	-	-	**23**
Trade receivables and other assets	23	13	2	3,937	**3,975**
Financial instruments and other financial assets[1]	39	39	3	4,082	**4,163**
Total	**2,582**	**52**	**5**	**8,019**	**10,658**
Liabilities					
Loans and borrowings[2]	2,331	2,665	2,046	24	**7,066**
Trade payables and other liabilities	31	-	-	2,298	**2,329**
Financial instruments and financial liabilities[1]	78	8	-	5,675	**5,761**
Total	**2,440**	**2,673**	**2,046**	**7,997**	**15,156**
Net interest rate risk position	**142**	**(2,621)**	**(2,041)**	**22**	**(4,498)**
Effect of interest rate swaps	1,840	(273)	(1,567)	-	-
Net interest rate risk position (incl. IRS)[3]	**1,982**	**(2,894)**	**(3,608)**	**22**	**(4,498)**

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(2) Disregarding agreed interest rate swaps.
(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position mean that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 31 – Financial instruments.

Interest rate risk exposure as at 31 December 2020 was as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	1,723	-	-	30	**1,753**
Restricted cash	31	1	1	1	**34**
Trade receivables and other assets	4	-	1	1,424	**1,429**
Financial instruments and other financial assets[1]	10	48	43	448	**549**
Total	**1,768**	**49**	**45**	**1,903**	**3,765**
Liabilities					
Loans and borrowings[2]	2,272	1,220	2,480	32	**6,004**
Trade payables and other liabilities	4	-	-	1,396	**1,400**
Financial instruments and financial liabilities[1]	159	13	-	646	**818**
Total	**2,435**	**1,233**	**2,480**	**2,074**	**8,222**
Net interest rate risk position	**(667)**	**(1,184)**	**(2,435)**	**(171)**	**(4,457)**
Effect of interest rate swaps	2,349	(795)	(1,554)	-	-
Net interest rate risk position (incl. IRS)[3]	**1,682**	**(1,979)**	**(3,989)**	**(171)**	**(4,457)**

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(2) Disregarding agreed interest rate swaps.
(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position mean that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 31 – Financial instruments.

SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised interest rate shock, for financial assets and liabilities to be repriced up to 1 year time, i.e. an immediate decrease/increase in interest rates by 1% along the whole yield curve is applied to the interest rate positions of the portfolio.

At the reporting date, a change of 1% in market interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In millions of EUR

	2021 Profit (loss)	2021 Profit (loss)	2020 Profit (loss)	2020 Profit (loss)
Interest rate	*EURIBOR*	*SONIA*	*EURIBOR*	*LIBOR*
Increase in interest rates by 1%	(3)	(1)	11	(2)
Decrease in interest rates by 1%	(13)	2	(12)	4

The analysis stated above does not reflect the impact of change in interest rate on the fair value of derivatives.

D FOREIGN EXCHANGE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other that the respective functional currencies of Group entities, primarily EUR, USD, GBP and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts, most with a maturity of less than one year.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the Czech crown against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances on the level of individual companies within the Group.

As of 31 December 2021 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	GBP	PLN	Other
Assets						
Cash and cash equivalents	-	5	451	2	4	1
Restricted cash	-	-	-	-	-	-
Trade receivables and other assets	-	6	2,406	11	5	5
Financial instruments and other financial assets	-	29	4,836	2,739	46	-
	-	**40**	**7,693**	**2,752**	**55**	**6**
Off balance sheet assets						
Receivables from forward exchange contracts	-	17	1,153	77	40	-
	-	**17**	**1,153**	**77**	**40**	**-**
Liabilities						
Loans and borrowings	-	6	5,412	1,512	20	1
Trade payables and other liabilities	-	2	1,688	114	2	4
Financial instruments and financial liabilities	-	-	3,445	68	-	-
	-	**8**	**10,545**	**1,694**	**22**	**5**
Off balance sheet liabilities						
Payables related to forward exchange contracts	-	54	794	922	-	-
	-	**54**	**794**	**922**	**-**	**-**
Net FX risk position	**-**	**32**	**(2,852)**	**1,058**	**33**	**1**
Effect of forward exchange contracts	-	(37)	359	(845)	40	-
Effect of cash flow hedge of FX risk(1)	-	-	440	-	-	-
Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk)	**-**	**(5)**	**(2,053)**	**213**	**73**	**1**

(1) The amount relates to a cash flow hedge recognized by the Group's entities in their standalone financial statements.

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

As of 31 December 2020 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	GBP	PLN	Other
Assets						
Cash and cash equivalents	1	1	571	2	7	-
Restricted cash	-	-	-	-	-	-
Trade receivables and other assets	1	4	711	22	9	1
Financial instruments and other financial assets	-	17	2,478	755	43	-
	2	**22**	**3,760**	**779**	**59**	**1**
Off balance sheet assets						
Receivables from forward exchange contracts	-	40	433	132	3	13
	-	**40**	**433**	**132**	**3**	**13**
Liabilities						
Loans and borrowings	-	4	4,150	375	16	-
Trade payables and other liabilities	1	1	577	26	4	3
Financial instruments and financial liabilities	-	-	386	25	-	-
	1	**5**	**5,113**	**426**	**20**	**3**
Off balance sheet liabilities						
Payables related to forward exchange contracts	-	3	959	6	13	-
	-	**3**	**959**	**6**	**13**	**-**
Net FX risk position	**1**	**17**	**(1,353)**	**353**	**39**	**(2)**
Effect of forward exchange contracts	-	37	(526)	126	(10)	13
Effect of cash flow hedge of FX risk[1]	-	-	440	-	-	-
Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk)	**1**	**54**	**(1,439)**	**479**	**29**	**11**

(1) The amount relates to a cash flow hedge recognized by the Group's entities in their standalone financial statements.

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

Off-balance sheet assets and liabilities include payables and receivables from forward exchange contracts (refer to Note 31 – Financial instruments).

The following significant exchange rates applied during the period:

CZK

	31 December 2021		31 December 2020	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
EUR 1	25.645	24.860	26.444	26.245
GBP 1	29.829	29.585	29.734	29.190
PLN 1	5.619	5.408	5.954	5.755
USD 1	21.682	21.951	23.196	21.387

SENSITIVITY ANALYSIS

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR, GBP, PLN and USD at the reporting date would have increased (decreased) net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in millions of EUR

	2021 Profit (loss)	2020 Profit (loss)
EUR (5% strengthening of CZK)	143	68
PLN (5% strengthening of CZK)	(2)	(4)
GBP (5% strengthening of CZK)	(53)	(18)
USD (5% strengthening of CZK)	(2)	(1)

Effect in millions of EUR

	2021 Other comprehensive income	2020 Other comprehensive income
EUR (5% strengthening of CZK)	(93)	(103)

A weakening of the Czech crown against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

E COMMODITY RISK

The Group's exposure to commodity risk principally consists of exposure to fluctuations in the prices of commodities, especially energy, gas and emission allowances, both on the supply and the demand side. The Group's primary exposure to commodity price risks arises from the nature of its physical assets, namely power plants and to a lesser extent from proprietary trading activities.

In case of favourable power prices, the Group manages the natural commodity risk connected with its electricity generation by selling the power it expects to produce in the cogeneration power plants and in ancillary services on an up to two-year forward basis. In case of low power prices, instead of entering into such forward contracts, the Group uses the flexibility of its own power generating capacities to react to current power prices with the aim to achieve better average selling price.

In addition, the Group purchases emission allowances on a forward basis.

The Group aims to reduce exposure to fluctuations in commodity prices through the use of swaps and various other types of derivatives.

The Group manages the commodity price risks associated with its proprietary trading activities by generally trading on a back-to-back basis, i.e., purchasing from the market where it has a customer in place to purchase the commodity.

Commodity derivatives primarily represent forwards on purchase or sale of electricity and swaps relating to gas which are typically used to hedge the commodity price for eustream's operations, specifically locking the sales prices for surplus of gas-in-kind received from shippers (for more details refer to Note 31 – Financial instruments).

SENSITIVITY ANALYSIS

A 5% change in the market price of the natural gas would have impact on the fair value of cash flow hedging derivatives of EUR 33 million (2020: EUR 8 million).

A 5% change in the market price of the electricity would have impact on the fair value of cash flow hedging derivatives of negative EUR 5 million (2020: negative EUR 4 million).

A change in the market price of electricity of 1 EUR/MWh would have decreased or increased revenues from sales of electricity by EUR 40 million (2020: EUR 38 million). This analysis assumes that all other variables, in particular gas prices and emission rights prices, remain constant.

F REGULATORY RISK

The Group is exposed to risks resulting from the state regulation of electricity and gas industries by the states in which it undertakes business activities. Changes to existing regulations or the adoption of other new regulations may have an adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

Electricity industry price regulation is regulated by the Slovak Regulatory Office for Network Industries' ("RONI") Decree No. 18/2017 Coll., on determining price regulation in the electric power industry and certain conditions of regulated activities in the electric power industry (electricity price decree) containing the price regulation for electricity distribution and electricity supply.

Maximum price for access to the distribution network and electricity distribution is determined separately for each voltage level (low, medium and high) and calculated for the respective voltage level as a weighted average of specified tariffs. The maximum price for access to the distribution network and electricity distribution for a given voltage level reflects electricity distribution and electricity transmission, including losses incurred during electricity transmission, and is denominated in euro per unit of electricity distributed to end consumers in the relevant year. It is calculated using a formula set by the electricity price decree, which also lays down a specific formula for the calculation of the allowed profit variable.

Electricity prices for households and small enterprises are regulated providing for a capped profit margin per MWh. The sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts. Such contracts usually determine the price for the supply of the commodity. For small enterprises and households, composite electricity supply contracts define the products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity as a supplier of electricity. The RONI sets a maximum margin per MWh to be charged by the supplier.

Slovak law provides for the designation of a supplier of last resort in the electricity sector. Such a supplier of last resort is the electricity supplier which must supply electricity to a customer whose original electricity supplier has lost its electricity supply licence or otherwise its right to supply electricity in the Slovak Republic. It is generally the electricity supply licence holder which is part of the vertically integrated undertaking to which the respective distribution licence holder also belongs. The supply of electricity by the supplier of last resort is subject to price regulation.

Gas price regulation is regulated by the RONI's Decree No. 223/2016 Coll., on determining price regulation in the gas industry, as amended (gas price decree) containing the price regulation for gas transmission, gas distribution and gas supply.

The RONI regulates the tariffs for access to the gas distribution network and for gas distribution by determination of the method of calculation of the maximum tariff for access to the gas distribution network and for gas distribution. The distribution tariff is calculated in accordance with the formula determined by the RONI. The regulated prices for access to the distribution system and gas distribution are charged by the gas DSO to gas suppliers who then pass the prices to their end-customers. The gas suppliers are required to secure their payments by bank guarantees or cash collaterals.

The current regulatory period in respect of both gas and power distribution started on 1 January 2017 and will end on 31 December 2022 (as a result of exceptional one-year prolongation by an amendment to the regulatory policy).

Eustream, an operator of a large-scale high-pressure gas transmission system in the Slovak Republic, is obliged to regularly submit to, and obtain approval from RONI of its tariff structure proposals in respect of the relevant regulatory (tariff) period. The current regulatory and tariff period started on 1 January 2017 and will end on 31 December 2022 (because of exceptional one-year prolongation by an amendment to the regulatory policy). In 2017, the European

Commission adopted Regulation 2017/460 establishing a network code on harmonised transmission tariff structures for gas setting out the rules for harmonised gas transmission tariff structures fully applicable as from 31 May 2019. On 29 May 2019, RONI issued a new price decision implementing the rules of the network code on harmonised transmission tariff. Tariffs calculated according to this price decision (for entry/exit points with EU Member States) will start to be applicable in the Slovak Republic as from 1 January 2022, despite the fact that due to the prolongation of the current regulatory period, the new regulatory period will generally commence on 1 January 2023.

Transmission tariffs in the Slovak Republic for the current regulatory period are set directly by RONI and are based purely on direct comparison of tariffs (also known as benchmarking) with other TSOs, primarily competitors across Europe and are directly set by RONI and are not directly impacted by natural gas prices or other elements (except for EU inflation rate). Starting from 2022 benchmarking of tariffs will remain to be used as the secondary adjustment of the reference prices calculated on the cost base principles.

The Czech Energy Regulatory Office ("ERO") issues pricing decisions that set forth mandatory guidelines applicable to the calculation of heat prices. These rates are comprised of (i) the economically justified costs necessary for production and distribution of heat, (ii) appropriate profit, and (iii) VAT. Furthermore, the ERO sets the limit price for heat which allows the Company's subsidiaries to set their own heat price on the condition that it is lower than the limit price and follows the calculation principles. Nevertheless, the ERO also has the right to review retroactively the operations of a heat producer for the previous 5 years with respect to the heat price setting mechanism applied by that particular entity. If the entity is not able to fully to support the pricing mechanism applied, ERO can impose significant penalties which might have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects. The fact that the price of heat is not set by the ERO as a fixed amount per unit, gives rise to a degree of uncertainty on the part of the operator as there is the possibility that the calculation it carried out will be assessed as incorrect by the ERO. However, ERO provided guidance on setting appropriate profit in the price decree issued in September 2021. The appropriate profit is defined as 6.5% of historical cost of fixed assets adjusted for cumulative inflation.

As regards electricity produced by cogeneration plants, the ERO also stipulates the amount of subsidy for electricity from high-efficiency cogeneration sources in its price decision in the form of a green bonus granted on an annual basis, which is set per MWh and granted on an annual or hourly basis. and divided into four levels (CZK 45 per MWh, CZK 60 per MWh, CZK 140 per MWh and CZK 200 per MWh), depending on the efficiency of the cogeneration production of the plant. The price decision distinguishes between a basic tariff (which applies to cogeneration plants in general) and additional tariff (which applies only to some of them). The respective tariff is set in the price decision in CZK per MWh and has different levels depending on the size of the plant, overall time of its use during a year and the fuel it uses. It is common that the ERO issues the price decision annually, in the autumn for the coming calendar year.

An amendment in respect of the Czech Promoted Energy Sources Act was approved in September 2021. The amendment introduces, among others, a (i) system of auctions where producers would compete for operating subsidies on renewable power and power from cogeneration and (ii) a so-called transformational heat support through which heat plant operators would be eligible for financial compensation of the price paid for emission allowances if the heat plant operator commits to phase out coal by 31 December 2030. Implementation of the transformational heat support nevertheless requires prior state aid approval from the European Commission.

Risk management policies and disclosures

The European energy market has been affected by a continuous increase in power generation from renewables and a decline in electricity production in conventional coal-fired and nuclear power plants. This creates uncertainty as to whether there will be sufficient power generation capacity in the coming years. The EPH Group believes that conventional power production is necessary to ensure security of electricity supply in the European market, in particular in view of the variable nature of power generation from renewables. In recent years, the competitiveness of conventional power plants has been negatively affected by several factors, in particular by the growth in shale gas production in the USA, by a significant promotion of electrical power generation from renewable sources and by the increased carbon allowance prices. All this has contributed to the decline in power generation from conventional sources.

Particularly given the need for safeguarding security of electricity supply, the EU Member States have introduced capacity remuneration mechanisms aimed to overcome the market and regulatory inefficiency, mainly the fact that at times of power shortage, energy markets are incapable of offering a sufficiently high price for power generation. This inefficiency has increased as it is precisely renewable sources that have almost zero variable costs.

In particular, the risk of price uncertainty in future auction rounds, the risk of market failures, changes in market parameters, and the risk of abolition of the market are associated with capacity markets. These risks might adversely affect the Group's business, financial position, economic performance, cash flows and prospects.

THE UK

Renewable power generation of Lynemouth biomass powerplant in the UK is awarded by the contract for difference until 2027, which secures stable level of revenues by earning payment for difference between market and agreed strike price.

Post Brexit, a new UK ETS trading scheme has been introduced in the UK, replacing the EU ETS on 1 January 2021 to ensure continued decarbonisation of the UK economy. UK ETS set initial cap 5% below the UK's notional share of EU ETS for Phase IV. During first allocation period (2021-2025) the annual cap is to decline by 4.2mt per year.

The UK ETS trading scheme had initially set a price cap approximately at the current price level of European emission allowances until the actual trading commenced, which happened in the course of 2021. During 2021 UK ETS market participants continuously switched from use of EU ETS as proxy to UK ETS as liquidity on the market was developing.

ITALY

The 2019 Energy and Climate National Package (so called "Piano Nazionale Integrato per l'Energia e il Clima"or "PNIEC"), which was approved and published in January 2020 by the Ministry of Economic Development of Italy, provides for the phase-out of coal-fired power generation by 2025 in the country, and requests such operators to find best available technologies of reference as a possible replacement. This decision impacts Fiume Santo hard coal power plant in Sardinia island, which operation is considered as technically critical to provide stability of power supply on the island in the absence of other generation sources. Currently, Fiume Santo is operated under a "must run" regime allowing full cost recovery by 2024.

EU EMISSION TRADING SYSTEM

Despite all the EPH Group's continuous efforts in the area of environmental sustainability, emission allowances represent a significant cost item and emission allowance's price affects substantially economic performance of the Group. In order to achieve environmental benefits, the EU legislation established a system of trading with emission allowances according to the Kyoto Protocol. The international market for CO2 emission allowances is driven by the EU ETS. EU ETS ended its Phase III last year, which began on 1 January 2013 and ended on 31 December 2020. Within the Phase IV (2021 – 2030), the overall number of emission allowances is to decline at an annual rate of 2.20 per cent from 2021 onwards. However, energy intensive sectors with a high risk of relocation outside of the EU are to be allocated free allowances until 2030 at 100 per cent.

However, in the Fit for 55' package proposed by European Commission targeting to reduce net greenhouse gas emissions by at least 55% by 2030. The EU ETS revision within the package includes a higher target for compliance covering 61% of emissions and a 4.2% linear decrease in the number of EUAs auctioned annually. Furthermore, the Carbon Border Adjustment Mechanism was proposed and should remove exemptions for Europe's manufacturing and aviation industries, which now receive 80% and 85% of their allowances for free. Continued market stability reserve (MSR) injections, a mechanism to curb oversupply, removed around 308 million EUAs from auctions between September 2020 and August 2021. It is scheduled to remove another 378 million allowances between September 2021 and August 2022.

Previously mentioned is further pushing demand for EUAs and so also the prices of EUA up. As such, situation from past years when allowance prices were below expectation is no longer true. If the increasing prices will not be reflected in power prices it might have a negative impact on the EPH Group.

G CONCENTRATION RISK

Major part of gas transmission, gas and power distribution and gas storage revenues, which are primarily recognised by SPPI Group and Stredoslovenská distribučná, a.s., are concentrated to a small number of customers. This is caused by the nature of business which has high barriers of entry. At the same time, majority of these revenues is subject to regulation as well as recognised under long-term contracts, often under "take or pay" schemes which limit the volatility of revenues year-on-year. From the credit risk perspectives, the counterparties are typically high-profile entities which are dependent on the supplied service which naturally limits the present credit risk.

H CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors its net leverage, defined as net debt divided by underlying EBITDA. The Group's net leverage at the end of the reporting period was as follows:

In millions of EUR

	31 December 2021	31 December 2020
Loans and borrowings	7,066	6,004
Issued bills of exchange	42	110
Less: cash and cash equivalents	2,497	1,753
Net debt(1)	**4,611**	**4,361**
Underlying EBITDA(2)	2,264	2,150
Net leverage	**2.0**	**2.0**

(1) Net debt = Loans and borrowings + Issued bills of exchange – Cash and cash equivalents.
(2) For definition of Underlying EBITDA and its reconciliation to the closest IFRS measure, refer to Note 6 – Operating segments.

I HEDGE ACCOUNTING

CASH FLOW HEDGE

The balance as at 31 December 2021 represents primarily derivative agreements to hedge on interest rate, foreign exchange rate, electricity price, gas price, emission allowances price, coal price and the effect from a cash flow hedge recognised on the EPH Group level.

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity.

During the period the Group reclassified EUR 14 million (negative impact on profit or loss) including non-controlling interest from hedging reserves to profit or loss (2020: EUR 46 million (positive impact on profit or loss)).

The following table provides a reconciliation of amounts recorded in equity attributable to owners of the Company by category of hedging instrument:

In millions of EUR

	Commodity derivatives – cash flow hedge[1]	Interest rate swaps – cash flow hedge	Currency forwards – cash flow hedge[2]	Equity accounted investees – cash flow hedge	Total
Balance at 1 January 2021	**40**	**(102)**	**96**	**153**	**187**
Cash flow hedges reclassified to profit or loss	20	15	(21)	-	**14**
Deferred tax – cash flow hedges reclassified to profit or loss	(5)	(3)	2	-	**(6)**
Revaluation of cash flow hedges	(506)	1	22	-	**(483)**
Deferred tax – cash flow hedges revaluation	93	-	(9)	-	**84**
Changes in hedging reserves recognized by equity accounted investees	-	-	-	10	**10**
Differences from movements in foreign exchange rate	(1)	-	-	-	**(1)**
Balance at 31 December 2021	**(359)**	**(89)**	**90**	**163**	**(195)**

(1) Including also hedge of foreign currency risk.
(2) As at 31 December 2021 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2021 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

In millions of EUR

	Commodity derivatives – cash flow hedge[1]	Interest rate swaps – cash flow hedge	Currency forwards – cash flow hedge[2]	Equity accounted investees – cash flow hedge	Total
Balance at 1 January 2020	**27**	**(98)**	**119**	**189**	**237**
Cash flow hedges reclassified to profit or loss	(18)	(7)	(21)	-	**(46)**
Deferred tax – cash flow hedges reclassified to profit or loss	7	1	4	-	**12**
Revaluation of cash flow hedges	38	3	(7)	-	**34**
Deferred tax – cash flow hedges revaluation	(9)	(1)	1	-	**(9)**
Changes in hedging reserves recognized by equity accounted investees	-	-	-	(36)	**(36)**
Disposed entities	(7)	-	-	-	**(7)**
Differences from movements in foreign exchange rate	2	-	-	-	**2**
Balance at 31 December 2020	**40**	**(102)**	**96**	**153**	**187**

(1) Including also hedge of foreign currency risk.
(2) As at 31 December 2020 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2020 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

Share of non-controlling interest on hedging reserve amounted to negative EUR 311 million (2020: negative EUR 55 million). Share of non-controlling interest on effective changes in fair value of cash flow hedges, net of tax, and reclassification of cash flow hedges to profit or loss amounted to negative EUR 256 million (2020: negative EUR 27 million).

CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK AND COMMODITY PRICE RISK OF REVENUES OF POWER PRODUCTION WITH FINANCIAL DERIVATIVES

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to or commodities purchased from the third parties. This includes commodity derivatives with net settlement for commodity risk. As a result of the hedge relationship on the Group level, the Group recorded a change in cash flow hedge reserve of negative EUR 37 million (2020: positive EUR 9 million). For risk management policies, refer to Note 35(d) and (e) – Risk management policies and disclosures.

CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF GAS AND COAL

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales and purchases of gas and coal. The hedging instruments are commodity swaps concluded with third parties to hedge selling price of gas in-kind or coal sold and purchase price of gas and coal purchased. The hedged items are proportions of expected cash outflows or inflows for commodities purchased or sold that are expected to occur and impact profit or loss in 2022 till 2023. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 166 million (2020: positive EUR 9 million). A decrease of a cash flow hedge reserve due to entities disposed in 2020 was negative EUR 7 million.

CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF EMISSION ALLOWANCES

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from purchase of emission allowances in UK and EU. The hedging instruments are commodity swaps concluded with third parties to hedge purchase price of emission allowances needed to cover the production. The hedged items are proportions of expected cash outflows for emission allowances purchased that are expected to occur and impact profit or loss in 2022 till 2023. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 196 million (2020: EUR 0 million).

The following tables provide details of cash flow hedge commodity derivatives gas, power, emission allowances and coal for commodity price risk recorded by the Group as at 31 December 2021 and 2020:

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	30	181	183	317
3 months to 1 year	579	1,099	1,858	2,470
1–5 years	34	151	159	287
Over 5 years	-	-	-	-
Total	**643**	**1,431**	**2,200**	**3,074**

In millions of EUR

	31 December 2020			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	2	2	24	24
3 months to 1 year	44	23	549	519
1–5 years	3	12	30	33
Over 5 years	-	1	-	1
Total	**49**	**38**	**603**	**577**

The following tables provide details of cash flow hedge currency derivatives recorded by the Group as at 31 December 2021 and 2020:

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	2	44	46
3 months to 1 year	-	1	58	59
1–5 years	-	-	17	15
Over 5 years	-	-	-	-
Total	**-**	**3**	**119**	**120**

In millions of EUR

	31 December 2020			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	12	13
3 months to 1 year	-	1	42	43
1–5 years	-	-	22	22
Over 5 years	-	-	-	-
Total	**-**	**1**	**76**	**78**

CASH FLOW HEDGES – HEDGE OF INTEREST RATE RISK

The Group applies hedge accounting for hedging instruments designed to hedge interest rate risk of its debt financing. The hedging instruments are interest rate swaps used in order to hedge risk related to repricing of interest rates on its financing. As a result of the hedge relationship on the Group level, the Group recorded a change in interest rate cash flow hedge reserve of EUR 13 million (2020: negative EUR 4 million). For risk management policies, refer to Note 35(c) – Risk management policies and disclosures.

The following tables provide details of cash flow hedge interest rate swaps recorded by the Group as at 31 December 2021 and 2020:

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	50	50
3 months to 1 year	-	1	6	7
1–5 years	-	2	16	18
Over 5 years	-	-	-	-
Total	**-**	**3**	**72**	**75**

In millions of EUR

	31 December 2020			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	5	5
3 months to 1 year	-	1	16	17
1–5 years	-	63	1,612	1,616
Over 5 years	-	-	-	-
Total	**-**	**64**	**1,633**	**1,638**

CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK WITH FINANCIAL DERIVATIVES

The Group applies hedge accounting for hedging instruments designed to hedge the foreign currency risk cash-flows from biomass purchases denominated in foreign currencies (USD and CAD). The hedging instruments are foreign currency forwards concluded with third parties. The hedged items are proportions of expected cash outflows in USD and CAD that are expected to occur and impact profit or loss in periods of 2022 to 2027. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in foreign currency cash flow hedge reserve of negative EUR 6 million (2020: negative EUR 23 million). For risk management policies, refer to Note 35(d) and (e) – Risk management policies and disclosures.

The following table provides details of cash flow hedge currency derivatives for foreign currency risk recorded by the Group as at 31 December 2021 and 2020:

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	16	25
3 months to 1 year	1	-	218	209
1–5 years	1	-	508	519
Over 5 years	-	-	-	9
Total	**2**	**-**	**742**	**762**

In millions of EUR

	31 December 2020			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	3	-	-
3 months to 1 year	-	11	144	146
1–5 years	-	5	513	520
Over 5 years	-	-	234	237
Total	**-**	**19**	**891**	**903**

CASH FLOW HEDGES – EQUITY ACCOUNTED INVESTEES

The joint venture LEAG group applies hedge accounting for commodity hedging instruments designed to hedge cash-flows to purchase emission rights. The hedging instruments are commodity derivatives designed to hedge purchase price for future purchases of emission rights. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in cash flow hedge reserve of EUR 264 million (2020: negative EUR 31 million). Remaining change of cash flow hedges attributable to equity accounted investees of negative EUR 254 million (2020: negative EUR 5 million) was reported by associate Slovenské elektrárne, a.s. As the hedge accounting is applied by equity accounted investees, the hedging derivatives are not recognised on Group's consolidated statement of financial position.

36. Related parties

The Group has a related party relationship with its shareholders and other parties, as identified in the following table:

A THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020 WAS AS FOLLOWS:

In millions of EUR

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Companies controlled by ultimate shareholder(1)	18	-	9	-
Associates and joint ventures	659	610	261	136
Other related parties	1	3	-	2
Total	**678**	**613**	**270**	**138**

(1) Daniel Křetínský represents the ultimate shareholder.

B THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020 WAS AS FOLLOWS:

In millions of EUR

	Revenues 2021	Expenses 2021	Revenues 2020	Expenses 2020
Companies controlled by ultimate shareholder(1)	1	-	1	-
Associates and joint ventures	1,146	1,062	453	446
Other related parties	2	2	1	2
Total	**1,149**	**1,064**	**455**	**448**

(1) Daniel Křetínský represents the ultimate shareholder.

TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

For the financial years ended 31 December 2021 and 2020 the EPH Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Infrastructure, a.s., Stredoslovenská energetika Holding, a.s. and its major subsidiaries, SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, POZAGAS, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s. (until 3 November 2020), United Energy, a.s., Plzeňská teplárenská, a.s., SPP Storage, s.r.o., EP ENERGY TRADING, a.s, EP Power Europe, a.s., Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, Energetický a průmyslový holding, a.s., EP Commodities, a.s., EP Produzione S.p.A. Group, EPNEI Group, EP Investment Advisors, s.r.o., JTSD - Braunkohlebergbau GmbH Group, Saale Energie, Kraftwerk Mehrum GmbH, EP Kilroot Limited, EP Ballylumford Limited, EP France Group, Tynagh Energy Limited and EP Power Minerals Group.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

In millions of EUR

	2021	2020
Nr. of personnel	102	99
Compensation, fees and rewards	12	11
Compulsory social security contributions	2	2
Total	**14**	**13**

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses. All transactions were performed under the arm's length principle.

37. Group entities

The list of the Group entities as at 31 December 2021 and 31 December 2020 is set out below:

		31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Energetický a průmyslový holding, a.s.	Czech Republic	-	-	-	-	-	-
EP Power Europe, a.s. *	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EPPE Germany, a.s. *	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Lausitz Energie Kraftwerke AG	Germany	10	Direct	10	Direct	Equity	Equity
Lausitz Energie Bergbau AG	Germany	10	Direct	10	Direct	Equity	Equity
LEAG Holding, a.s. *	Czech Republic	50	Direct	50	Direct	Equity	Equity
Lausitz Energie Verwaltungs GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Kraftwerke AG	Germany	80	Direct	80	Direct	Equity	Equity
Kraftwerk Schwarze Pumpe GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Bergbau AG	Germany	80	Direct	80	Direct	Equity	Equity
GMB GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Transport- und Speditionsgesellschaft Schwarze Pumpe mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Verwaltungsgesellschaft Brandenburg mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
ZG Sachsen Verwaltungs GmbH	Germany	100	Direct	-	-	At cost	-
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie PV Zschornewitz GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
EVA Verwaltungs GmbH	Germany	50	Direct	50	Direct	At cost	At cost
EVA Jänschwalde GmbH & Co. KG	Germany	50	Direct	50	Direct	Equity	Equity
Gaskraftwerk Leipheim GmbH & Co. KG	Germany	100	Direct	-	-	Equity	-

		31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Gaskraftwerk Leipheim Verwaltungs GmbH	Germany	100	Direct	-	-	Equity	-
PV Böhlen GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
SERO LAUSITZ GmbH	Germany	100	Direct	-	-	At cost	-
MCR Engineering Lausitz GmbH	Germany	100	Direct	-	-	At cost	-
energy cubes GmbH	Germany	100	Direct	-	-	At cost	-
LandWerte Immobilien & Entwicklung GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
EP New Energies GmbH	Germany	20	Direct	20	Direct	Consolidated	Consolidated
EP New Energy Italia S.r.l.	Italy	49	Direct	49	Direct	Consolidated	Consolidated
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Servizi S.r.l.	Italy	49	Direct	-	-	At cost	At cost
EP New Energies GmbH	Germany	80	Direct	80	Direct	Consolidated	Consolidated
EP Mehrum GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Mehrum GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
JTSD - Braunkohlebergbau GmbH	Germany	90	Direct	90	Direct	Consolidated	Consolidated
Mitteldeutsche Braunkohlen Gesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	Consolidated	Consolidated
MIBRAG Neue Energie GmbH [1]	Germany	-	-	100	Direct	Consolidated	Consolidated
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	At cost
MIBRAG Neue Energie GmbH [1]	Germany	50	Direct	-	-	Consolidated	Consolidated
Photovoltaikpark Peres I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	100	Direct	At cost	At cost

		31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
MITAFF GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	At cost
MIBRAG Neue Energie GmbH [1]	Germany	50	Direct	-	-	Consolidated	Consolidated
Photovoltaikpark Peres I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MITAFF GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft III GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH (Zukunft IV GmbH) [2]	Germany	100	Direct	100	Direct	At cost	At cost
Groitzscher Wohnwelt GmbH (Zukunft V GmbH) [3]	Germany	100	Direct	100	Direct	At cost	At cost
MINCA GmbH (Zukunft VI GmbH)[4]	Germany	100	Direct	100	Direct	At cost	At cost
EP Germany GmbH * [5]	Germany	-	-	100	Direct	-	Consolidated
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau GbR [6]	Germany	-	-	41.90	Direct	-	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH [7]	Germany	100	Direct	44.40	Direct	Consolidated	Equity
EP Power Minerals GmbH (STEAG Power Minerals GmbH)	Germany	100	Direct	-	-	Consolidated	-
MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH (MINERALplus GmbH)	Germany	100	Direct	-	-	Consolidated	-
Felix Höltken GmbH	Germany	100	Direct	-	-	At cost	-
Minex GmbH	Germany	50	Direct	-	-	At cost	-
Euroment B.V.	Netherlands	50	Direct	-	-	At cost	-
EP ENERGO MINERAL Sp. Z o.o. (STEAG Energo Mineral Sp. Z o.o.)	Poland	50	Direct	-	-	At cost	-
EP Energo Mineral Deutschland GmbH (STEAG Energo Mineral Deutschland GmbH)	Germany	100	Direct	-	-	At cost	-
STEAG Energo Mineral CZ s.r.o.	Czech Republic	65	Direct	-	-	At cost	-
Power Minerals UK Holdings Ltd.	United Kingdom	100	Direct	-	-	At cost	-
Power Minerals Ltd.	United Kingdom	100	Direct	-	-	At cost	-
Powerment GmbH & Co. KG	Germany	50	Direct	-	-	At cost	-
Powerment Verwaltungs GmbH	Germany	100	Direct	-	-	At cost	-
Hawar Power Minerals W.L.L.	Qatar	49	Direct	-	-	At cost	-

		31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
STEAG Power Minerals Beteiligungsgesellschaft mbH	Germany	100	Direct	-	-	At cost	-
Power Minerals Iceland ehf.	Iceland	90	Direct	-	-	At cost	-
MINERALplus Stork GmbH & Co. KG	Germany	74	Direct	-	-	At cost	-
MINERALplus Stork Verwaltungs-GmbH	Germany	100	Direct	-	-	At cost	-
EP Power Minerals Asia Pte.Ltd. (STEAG Power Minerals Asia Pte. Ltd.)	Singapore	100	Direct	-	-	At cost	-
Hoang Son Fly Ash and Cement JSC	Vietnam	50	Direct	-	-	At cost	-
EP CTA GmbH	Germany	100	Direct	-	-	At cost	-
EP UK Investments Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Eggborough Power Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Lynemouth Power Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP UK Power Development Ltd	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP SHB Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humberland Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Langage Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Ballylumford Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Kilroot Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Tynagh Energy Limited	Ireland	80	Direct	80	Direct	Consolidated	Consolidated
RVA Group Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Consulting Engineers Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Group GmbH	Germany	100	Direct	100	Direct	At cost	At cost
RVA Engineering Solutions Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP UK Finance Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humbly Grove Energy Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humbly Grove Energy Services Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Waste Management Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP NI Energy Limited	United Kingdom	100	Direct	100	Direct	Consolidated	At cost
EP Eggborough Limited	United Kingdom	100	Direct	-	-	Consolidated	-
EP Dublin Energy Limited	Ireland	100	Direct	-	-	At cost	-
EP Invest Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Belfast Power Holdings Limited	United Kingdom	100	Direct	-	-	At cost	-
Belfast Power Limited	United Kingdom	100	Direct	-	-	At cost	-
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Commodities Ukraine TOB	Ukraine	100	Direct	100	Direct	At cost	At cost
EP Produzione S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Fiume Santo S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	75	Direct	Consolidated	Consolidated
Centro Energia Ferrara S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Ep Centrale Tavazzano Montanaso S.P.A. (EPP 1 S.r.l.)	Italy	100	Direct	-	-	Consolidated	-
EPP 2 S.r.l.	Italy	100	Direct	-	-	At cost	-
EPP 3 S.r.l.	Italy	100	Direct	-	-	At cost	-
Ergosud S.p.A.	Italy	50	Direct	50	Direct	Equity	Equity
EP New Energy Italia S.r.l.	Italy	51	Direct	51	Direct	Consolidated	Consolidated
Fusine Energia S.r.L.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Servizi S.r.l.	Italy	51	Direct	51	Direct	At cost	At cost
EP France Développement SAS	France	100	Direct	-	-	At cost	-
EP France S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Generation S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Aerodis, S.A.	France	100	Direct	100	Direct	Consolidated	Consolidated
Surschiste, S.A.	France	100	Direct	100	Direct	Consolidated	Consolidated
Société des Eaux de l'Est S.A.	France	25	Direct	25	Direct	At cost	At cost
Illico S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Renouvelables S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Solaire S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Solutions S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Dynamo S.A.S.	France	100	Direct	100	Direct	Consolidated	At cost
EP France Management & Services S.A.S.	France	100	Direct	-	-	Consolidated	-
EP Yuzivska B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	90	Direct	90	Direct	Consolidated	Consolidated
EP Hungary s.r.o. (Arsikon s.r.o.)	Czech Republic	100	Direct	-	-	At cost	-
EP Resources AG	Switzerland	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources DE GmbH (8)	Germany	-	-	100	Direct	At cost	At cost
EPR ASIA PTE. LTD.	Singapore	100	Direct	100	Direct	At cost	At cost
EP Resources CZ a.s. (9)	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
EP Resources PL S.A.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources DE GmbH (8)	Germany	100	Direct	-	-	At cost	At cost
Boldore a.s. (10)	Czech Republic	100	Direct	50	Direct	At cost	At cost
SLUGGERIA a.s. (11)	Czech Republic	-	-	100	Direct	-	At cost
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Consolidated	Consolidated
EP Investment Advisors, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Fleet, k.s.	Czech Republic	99.80	Direct	99.80	Direct	Consolidated	Consolidated
EP Auto, s.r.o. *	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated

	Country of incorporation	31 December 2021 Ownership %	31 December 2021 Ownership interest	31 December 2020 Ownership %	31 December 2020 Ownership interest	2021 Measurement	2020 Measurement
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Consolidated	Consolidated
WOOGEL LIMITED * [12]	Cyprus	-	-	25	Direct	-	Consolidated
Mining Services and Engineering Sp. z o.o. [13]	Poland	-	-	100	Direct	-	IFRS 5
Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. [13]	Poland	-	-	38.93	Direct	-	IFRS 5
Sedilas enterprises limited [14]	Cyprus	-	-	100	Direct	-	Consolidated
EPH Financing SK, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
EPH Financing CZ, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources CZ a.s. [9]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
EP Resources PL S.A.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Slovakia B.V. *	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Slovak Power Holding B.V. *	Netherlands	50	Direct	50	Direct	Equity	Equity
Slovenské elektrárne, a.s.	Slovakia	66	Direct	66	Direct	Equity	Equity
Centrum pre vedu a výskum, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Ochrana a bezpečnosť SE, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Slovenské elektrárne – energetické služby, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Slovenské elektrárne Česká republika, s.r.o.	Czech Republic	100	Direct	100	Direct	Equity	Equity
SE Služby inžinierskych stavieb, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
REAKTORTEST, s.r.o.	Slovakia	49	Direct	49	Direct	Equity	Equity
ÚJV Řež, a.s.	Czech Republic	27.80	Direct	27.80	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
Nadácia EPH	Slovakia	100	Direct	100	Direct	At cost	At cost
EPHCEI HoldCo a.s.	Czech Republic	100	Direct	-	-	At cost	-
ADCONCRETUM REAL ESTATE DOO BEOGRAD-STARI GRAD	Serbia	100	Direct	100	Direct	Consolidated	Consolidated
EP Logistics International, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
LOCON Logistik & Consulting AG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
LOCON Service GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Lokotrain Deutschland GmbH (LOCON PERSONALSERVICE GmbH) [15]	Germany	-	-	100	Direct	At cost	At cost
LOCON BENELUX B.V.	Germany	51	Direct	51	Direct	At cost	At cost
LokoTrain s.r.o. [16]	Czech Republic	100	Direct	65	Direct	Consolidated	Consolidated
Lokotrain Deutschland GmbH (LOCON PERSONALSERVICE GmbH) [15]	Germany	100	Direct	-	-	At cost	At cost
EP Cargo Deutschland GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Merseburg Transport und Logistik GmbH	Germany	51	Direct	51	Direct	At cost	At cost

Group entities

	Country of incorporation	31 December 2021 Ownership %	31 December 2021 Ownership interest	31 December 2020 Ownership %	31 December 2020 Ownership interest	2021 Measurement	2020 Measurement
EP CARGO POLSKA S.A.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Invest, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Intermodal a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Trucking CZ s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SAJDOK a.s. [17]	Czech Republic	-	-	100	Direct	-	Consolidated
EP Cargo Trucking SK s. r. o. (EOP HOKA SK, s. r. o.) [18]	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
EP CARGO TRUCKING PL Sp.z o.o. (EOP HOKA POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA) [19]	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Trucking SK s. r. o. (EOP HOKA SK, s. r. o.) [18]	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
SPEDICA GROUP COMPANIES, s.r.o.	Czech Republic	83.63	Direct	83.63	Direct	Consolidated	Consolidated
SPEDICA LOGISTIC, s.r.o.[20]	Czech Republic	100	Direct	67	Direct	Consolidated	Consolidated
SGC-LOGISTIC GmbH[20]	Germany	-	-	100	Direct	-	At cost
RAILSPED, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
RM LINES, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SPEDICA, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
JTSD - Braunkohlebergbau GmbH	Germany	10	Direct	10	Direct	Consolidated	Consolidated
Mitteldeutsche Braunkohlen Gesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	Consolidated	Consolidated
MIBRAG Neue Energie GmbH [1]	Germany	-	-	100	Direct	Consolidated	Consolidated
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	At cost
MIBRAG Neue Energie GmbH [1]	Germany	50	Direct	-	-	Consolidated	Consolidated
Photovoltaikpark Peres I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	100	Direct	At cost	At cost

	Country of incorporation	31 December 2021 Owner-ship %	31 December 2021 Owner-ship interest	31 December 2020 Owner-ship %	31 December 2020 Owner-ship interest	2021 Measurement	2020 Measurement
MITAFF GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	At cost
MIBRAG Neue Energie GmbH [1]	Germany	50	Direct	-	-	Consolidated	Consolidated
Photovoltaikpark Peres I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MITAFF GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft III GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH (Zukunft IV GmbH) [2]	Germany	100	Direct	100	Direct	At cost	At cost
Groitzscher Wohnwelt GmbH (Zukunft V GmbH) [3]	Germany	100	Direct	100	Direct	At cost	At cost
MINCA GmbH (Zukunft VI GmbH) [4]	Germany	100	Direct	100	Direct	At cost	At cost
EP Germany GmbH * [5]	Germany	-	-	100	Direct	-	Consolidated
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau GbR [6]	Germany	-	-	41.90	Direct	-	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH [7]	Germany	100	Direct	44.40	Direct	Consolidated	Equity
DCR INVESTMENT a.s., v likvidaci	Czech Republic	100	Direct	100	Direct	At cost	At cost
ABS PROPERTY LIMITED	Ireland	100	Direct	100	Direct	Consolidated	Consolidated
EP Real Estate, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Kardašovská Properties a.s. [21]	Czech Republic	-	-	100	Direct	-	At cost
EP Properties, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Hagibor, a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
CR-EP s.r.o.	Czech Republic	50	Direct	50	Direct	At cost	At cost
HG1 s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
HG5 s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Tourbus, a.s.	Czech Republic	100	Direct	-	-	Consolidated	-
trabus, a.s.	Czech Republic	7.78	Direct	-	-	Consolidated	-
TOREA Plus, s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
ČSAD Brno holding, a.s.	Czech Republic	100	Direct	-	-	Consolidated	-

	Country of incorporation	31 December 2021 Owner-ship %	31 December 2021 Owner-ship interest	31 December 2020 Owner-ship %	31 December 2020 Owner-ship interest	2021 Measurement	2020 Measurement
Dopravák, s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
trabus, a.s.	Czech Republic	89.89	Direct	-	-	Consolidated	-
Zeterano a.s.	Czech Republic	70	Direct	-	-	Consolidated	-
Klinika Brno, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Pavlovské terasy, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Apartmány Slunný vrch, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
AC Koliště, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Leskava centrum, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Rezidence Vyhlídalova, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Domky Myslivecká, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Seginus, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Vitality Resort Lány, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Vitality resort Řečkovice, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
EP Brno Project, s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Střelničná reality s.r.o. [22]	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
Malešice Reality s.r.o. [22]	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
Zálesí Reality s.r.o. [22]	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
EPRE Reality s.r.o. [22]	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
Power Reality s.r.o. [22]	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
EPIF Investments a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Infrastructure, a.s. *	Czech Republic	69	Direct	69	Direct	Consolidated	Consolidated
EP Energy, a.s. *	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Consolidated	Consolidated
PT měření, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Střelničná reality s.r.o. [22]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
Malešice Reality s.r.o. [22]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
Zálesí Reality s.r.o. [22]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
EPRE Reality s.r.o. [22]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
Power Reality s.r.o. [22]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
Lirostana s.r.o. [23]	Czech Republic	-	-	100	Direct	-	Consolidated
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	At cost	Consolidated
Pražská teplárenská Holding a.s. v likvidaci * [24]	Czech Republic	-	-	100	Direct	-	At cost
NPTH, a.s. v likvidaci * [24]	Czech Republic	-	-	100	Direct	-	At cost
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EVO - Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Severočeská teplárenská, a.s. [25]	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
GABIT spol. s r.o. [25]	Czech Republic	-	-	100	Direct	At cost	At cost

	Country of incorporation	31 December 2021 Ownership %	31 December 2021 Ownership interest	31 December 2020 Ownership %	31 December 2020 Ownership interest	2021 Measurement	2020 Measurement
Nadační fond pro rozvoj vzdělávání	Czech Republic	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Dobrá Energie s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
Elektrárny Opatovice, a.s. (VTE Moldava II, a.s.) [26]	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
MR TRUST s.r.o.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
ARISUN, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	Equity	Equity
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
VTE Pchery, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Consolidated	Consolidated
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	At cost	At cost
Severočeská teplárenská, a.s. [25]	Czech Republic	100	Direct	-	-	Consolidated	Consolidated
GABIT spol. s r.o. [25]	Czech Republic	100	Direct	-	-	At cost	At cost
Industrial Park Opatovice s.r.o. (TreatDream s.r.o.)	Czech Republic	100	Direct	-	-	At cost	-
Mirtheaven a.s.	Czech Republic	100	Direct	-	-	At cost	-
EOP Distribuce, a.s. (Elektrárny Opatovice, a.s.) [26]	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Farma Lístek, s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Stredoslovenská energetika Holding, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated
Kinet s.r.o.	Slovakia	80	Direct	80	Direct	Consolidated	Consolidated
Kinet Inštal s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská distribučná, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Elektroenergetické montáže, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika - Project Development, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SPV100, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE - MVE, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Patamon a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost

Group entities

	Country of incorporation	31 December 2021 Ownership %	31 December 2021 Ownership interest	31 December 2020 Ownership %	31 December 2020 Ownership interest	2021 Measurement	2020 Measurement
Plzeňská teplárenská, a.s.	Czech Republic	35	Direct	35	Direct	Consolidated	Consolidated
Plzeňská teplárenská SERVIS IN a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Plzeňské služby s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
PPT POTRUBNÍ TECHNIKA s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
TERMGLOBAL s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
TRAXELL s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Claymore Equity, s.r.o. v likvidácii * [27]	Slovakia	-	-	100	Direct	-	Consolidated
Czech Gas Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA a.s.	Slovakia	40.45	Direct	40.45	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	10	Direct	10	Direct	Consolidated	Consolidated
EP Hungary, s.r.o. (Arsikon s.r.o.)	Czech Republic	10	Direct	-	-	At cost	-
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	50	Direct	Equity	Equity
Nafta Exploration d.o.o.	Croatia	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA International B.V. *	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V. [28]	Netherlands	100	Direct	50	Direct	At cost	Equity
CNG LLC	Ukraine	100	Direct	100	Direct	At cost	Equity
EPH Gas Holding B.V. *	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Seattle Holding B.V. *	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Slovak Gas Holding B.V. *	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
SPP Infrastructure, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated
eustream, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Central European Gas HUB AG	Austria	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	100	Direct	100	Direct	At cost	At cost
Plynárenská metrológia, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SPP - distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPP - distribúcia Servis, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	51	Direct	51	Direct	At cost	At cost

		31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	10	Direct	10	Direct	Consolidated	Consolidated
EP Hungary, s.r.o. (Arsikon s.r.o.)	Czech Republic	10	Direct	-	-	At cost	-
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	50	Direct	Equity	Equity
Nafta Exploration d.o.o.	Croatia	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA International B.V. *	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V. (28)	Netherlands	100	Direct	50	Direct	At cost	Equity
CNG LLC	Ukraine	100	Direct	100	Direct	At cost	Equity
GEOTERM KOŠICE, a.s.	Slovakia	95.82	Direct	95.82	Direct	Consolidated	Consolidated
SPP Storage, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	Consolidated	Consolidated
SLOVGEOTERM a.s.	Slovakia	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	0.08	Direct	0.08	Direct	Consolidated	Consolidated
GALANTATERM spol. s r.o.	Slovakia	0.5	Direct	0.5	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	17.5	Direct	17.5	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated

* Holding entity
(1) On 21 October, the shares of MIBRAG Neue Energie GmbH were transferred to Tagebau Profen GmbH & Co. KG (50% shares) and Tagebau Schleenhain GmbH & Co. KG (50% shares) as a part of an internal reorganization.
(2) On 26 October 2021, Zukunft IV GmbH was renamed to Photovoltaikpark Peres II GmbH.
(3) On 26 October 2021, Zukunft V GmbH was renamed to Groitzscher Wohnwelt GmbH.
(4) On 1 September 2021, Zukunft VI GmbH was renamed to MINCA GmbH.
(5) On 1 January 2021, EP Germany GmbH merged with JTSD - Braunkohlebergbau GmbH. JTSD - Braunkohlebergbau GmbH is the successor company.
(6) On 30 September 2021, 100% of Kraftwerk Schkopau GbR was merged with Saale Energie GmbH. Saale Energie GmbH is the successor company.
(7) On 30 September 2021, Saale Energie GmbH acquired additional 55.6% of shares of Kraftwerk Schkopau Betriebsgesellschaft mbH, which is now fully consolidated.
(8) On 22 April 2021, the shares of EP Resources DE GmbH were transferred to EP Resources CZ a.s. as part of an internal reorganization.
(9) On 8 January 2021, the shares of EP Resources CZ a.s. were transferred to EP Power Europe, a.s. as part of an internal reorganization.
(10) On 29 April 2021, EP Power Europe, a.s. acquired additional 50 % of shares of Boldore a.s.
(11) On 13 May 2021, SLUGGERIA a.s. was sold out of the Group.
(12) On 15 July 2021, the shares of WOOGEL LIMITED were sold out of the Group.
(13) On 29 January 2021, the shares of Mining Services and Engineering Sp. z o.o. and Przedsiębiorstwo Górnicze Silesia Sp. z o.o. were sold out of the Group.
(14) On 20 July 2021, Sedilas Enterprises limited was sold out of the Group.
(15) On 29 July 2021, the shares of LOCON PERSONALSERVICE GmbH were transferred to LokoTrain s.r.o. as part of an internal reorganization. On 5 August 2021 LOCON PERSONALSERVICE GmbH was renamed to Lokotrain Deutschland GmbH.
(16) On 30 March 2021, EP Logistics International, a.s. acquired additional 35% shares of LokoTrain s.r.o.
(17) On 1 January 2021, SAJDOK a.s. merged with EP Cargo Trucking CZ s.r.o. EP Cargo Trucking CZ s.r.o. is the successor company.
(18) On 6 January 2021, EOP HOKA SK, s. r. o. was renamed to EP Cargo Trucking SK s. r. o.
(19) On 25 January 2021, EOP HOKA POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA was renamed to EP CARGO TRUCKING PL Sp.z o.o.
(20) On 4 November 2021, SPEDICA GROUP COMPANIES, s.r.o. acquired additional 33% shares of SPEDICA LOGISTIC, s.r.o. and SPEDICA LOGISTIC, s.r.o. disposed of 100% interest in SGC-LOGISTICS GmbH.
(21) On 6 August 2021, Kardašovská Properties a.s. was sold out of the Group.
(22) On 16 December 2021, the companies Střelničná reality s.r.o., Malešice Reality s.r.o., Zálesí Reality s.r.o., EPRE Reality s.r.o. and Power Reality s.r.o. were transferred from EP Energy, a.s. to EP Real Estate, a.s. as a part of internal reorganization.
(23) On 1 January 2021, Lirostana s.r.o. merged with EP Energy, a.s. EP Energy, a.s is the successor company.
(24) Companies Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci were liquidated on 4 February 2021 and on 7 January 2021, respectively.
(25) On 29 September 2021, the shares of Severočeská teplárenská, a.s. and GABIT spol. s r.o. were transferred to EP Energy, a.s. as part of an internal reorganization.
(26) On 1 January 2020, Elektrárny Opatovice, a.s. were renamed to EOP Distribuce, a.s. and on 3 January 2022, VTE Moldava II, a.s. was renamed to Elektrárny Opatovice, a.s.
(27) On 16 April 2021, Claymore Equity, s. r. o. v likvidácii was liquidated.
(28) On 21 December 2021, NAFTA International B.V. acquired additional 50% shares of CNG Holdings Netherlands B.V.

The structure above is listed by ownership of companies at the different levels within the Group.

38. Litigations and claims

PLZEŇSKÁ TEPLÁRENSKÁ, A.S. ("PLTEP")

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. ("PE"; merged with Plzeňská teplárenská, a.s. effectively on 31 October 2018, until then Plzeňská energetika, a.s. is used in the paragraph) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice. In June 2016 SI has filed an additional claim for unjust enrichment against PE for approximately EUR 1 million. Additional claim covers period 2013 – 2014. The claim was further extended in 2018 to the total of ca EUR 4 million. In January 2018, another court hearing was held and the Court ruled in favor of Plzeňská energetika, a.s. SI appealed and as a result of the appeal, the legal case was returned back to the District court. In March 2022, PLTEP and SI fully settled the dispute. Plzeňská teplárenská, a.s. reported as of 31 December 2021 an adequate provision for the dispute which will be used against payments under the settlement.

WASTE INCINERATION PLANT PROJECT AND RELATED BANK GUARANTEE

PLTEP relationships with ČKD PRAHA DIZ, a.s., the former general supplier of the project ZEVO Plzeň (waste incineration plant, "ZEVO"), are primarily burdened by the year 2016 when PLTEP terminated a contract for work before the work itself was completed. In line with contractual documentation, PLTEP exercised a bank guarantee on completion of the work. ČKD PRAHA DIZ, a.s. has challenged this decision. ČKD PRAHA DIZ, a.s. declared bankruptcy in May 2019. The right to the alleged claims of ČKD Praha DIZ, a.s. against PLTEP has been transferred several times to third parties. The dispute has already been fully settled in February 2022. As of 31 December 2021, PLTEP maintained an adequate provision for the dispute which will be used against payments under the settlement.

EP PRODUZIONE S.P.A., FIUME SANTO S.P.A. AND EP PRODUZIONE LIVORNO FERRARIS S.P.A.

Over the last few months of 2018, EP Produzione S.p.A. ("EPP") and Fiume Santo S.P.A were subject to a tax audit carried out by the Revenue Agency for the 2015 and 2016 tax years. Assisted by their external consultants and having provided all the necessary clarifications in each of the competent offices, EPP was able to settle the findings, with limited financial impact, while Fiume Santo S.P.A. has not yet finalised the settlement for the year 2016 (as for 2015 a settlement agreement was signed on 2019). As at 31 December 2021, a corresponding provision is recorded in the consolidated financial statements.

Moreover, Revenue Agency started on May 2019 a tax audit on EP Produzione Livorno Ferraris S.p.A. for the 2016 tax year. Company provided information to the Revenue Agency and the claim was concluded with almost no financial impact in 2021.

GAZEL ENERGIE GENERATION S.A.S. ("GEG")

LITIGATION ON POWER TRADING INVOICES

Gazel Energie Generation S.A.S. is disputing certain invoices relating to power trading with a counterparty concerning 2019 operations. In 2021, GEG asked the counterparty to provide justification on the invoices received and not yet paid, however the evidence of the calculation was not provided for. In respect of the litigation, a corresponding provision has been booked as at 31 December 2021 even though GEG believes that the claim is not justified. Further negotiations to discuss claims between GEG and the counterparty are expected to take place in course of 2022.

BIOMASS SUPPLIERS' LITIGATIONS

Due to the delay of the commissioning of Provence 4 Biomass, litigations occurred with some of the wood suppliers in relation to the contractual penalties. In case of the first supplier, the first instance judgement by the Court took place in 2021 with favourable outcome for GEG. The counterparty has appealed against the first-instance decision and the Court has asked both parties to start a mediation to settle the dispute. In case of the second supplier, GEG has appealed against the first-instance Court decision. The Court has asked both parties to start a mediation to settle the dispute, the acceptance of the mediation by the counterparty remains unsure. In respect of these two claims, a corresponding provision has been booked as at 31 December 2021.

39. Subsequent events

A MAJOR ACQUISITIONS

ACQUISITION OF JOINT-VENTURE SŽ EP LOGISTIKA D.O.O

On 14 January 2021, EP Logistics International, a.s. ("EPLI") has closed a strategic partnership agreement with Slovenian company SŽ d.o.o. SŽ d.o.o. has contributed SŽ-TP d.o.o. and Fersped d.o.o. to the joint-venture and EPLI has contributed the agreed amount of money. The joint-venture company SŽ EP Logistika d.o.o. will become one of the key carriers of freight transport and logistics in the region, which includes the territories of Bosnia and Herzegovina, Croatia, Northern Macedonia, Montenegro, Serbia, Slovenia, Austria, Hungary and Italy. The bodies of the joint venture, as well as the bodies of SŽ-TP and Fersped were strengthened with top international experts in this field. From the very beginning, the new partnership will start a new chapter in the international development of freight transport and logistics of the SŽ and EPLI groups, strengthened not only in terms of capital but also in terms of human resources.

B WAR IN UKRAINE

In the context of the ongoing Russian military invasion of Ukraine and associated sanctions targeting the Russian Federation, the EPH Group has identified risks and taken relevant measures to mitigate the related impacts on its business activities.

Based on available information and the most recent developments, the Group has been analysing the situation on an ongoing basis and assessing its impacts on the whole EPH Group. In particular, the EPIF Group is exposed to, among others, an increased counterparty risk related to Russian gas flows even though the revenue is based on a ship-or-pay condition. It is to note, that none of the capacity payments (including those from the Russian client) has been delayed so far. From the EPPE Group perspective, the current situation does not pose a significant risk on its operations. This is primarily driven by the fact that the EPPE's operations are largely diversified – both by nature of operation and location - and dependence on Russian gas is assumed rather low. In addition, a significant part of EPPE's results relates to provision of much needed balancing services supporting stability of the grid. This is further fuelled by presence in capacity markets in Italy and the UK. Besides these regulated services, EPPE is an active player in Western European power generation markets and in trading. Also, higher power spreads are largely to the Group's benefit due to mix of fuel used (predominantly gas which is price setter of power in most markets where the Group is present, biomass and domestic lignite).

In general, as the EPH Group is providing a service to which there is often no alternative in the region where the particular subsidiary operates, the Group has taken a number of actions in order to preserve the position of the EPH Group and its key stakeholders. In particular, on 3rd March 2022 EPIF made a public statement confirming that its overall Russian exposure was reduced already during 2021, while the EPIF Group maintains its leverage below its target leverage and its liquidity position has not been impaired. Further, on 10th March 2022 EPIF's both shareholders expressed their commitment and readiness to postpone dividend distributions from EPIF to them, which will allow a better cash position for the EPIF Group.

In overall, the Company's management has evaluated potential impacts of the current situation on its activities and its business and has concluded that there are no significant impacts on the Company's consolidated financial statements for the year ended 31 December 2021 and the going concern assumption as of the date of preparation of these financial statements.

However, it cannot be ruled out that there will be further negative developments in the situation which will subsequently have a significant negative impact on the EPH Group, its business activities, financial conditions, performance, cash flows and general outlook.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2021.

APPENDICES*:

Appendix 1 – Business combinations

Appendix 2 – Disposals of subsidiaries

* Information contained in the appendices form part of the complete set of these consolidated financial statements.

Date:	Signature of the authorised representative	
31 March 2022	JUDr. Daniel Křetínský Chairman of the board of directors	Mgr. Pavel Horský Member of the board of directors

Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as at the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2021

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of EP Power Minerals Group are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Property, plant, equipment, land, buildings	38	6	44
Intangible assets	2	-	2
Trade receivables and other assets	25	-	25
Financial instruments – assets	37	-	37
Inventories	12	-	12
Cash and cash equivalents	6	-	6
Deferred tax asset	12	(1)	11
Provisions	(84)	(3)	(87)
Deferred tax liabilities	**(3)**	**-**	(3)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(12)	-	(12)
Net identifiable assets and liabilities	**31**	**2**	**33**
Goodwill on acquisitions of a subsidiary			22
Cost of acquisition			**55**
Consideration paid, satisfied in cash (A)			55
Total consideration transferred			55
Less: Cash acquired (B)			6
Net cash inflow (outflow) (C) = (B – A)			**(49)**

(1) Represents values at 100% share.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date	70
Profit (loss) of the acquirees recognised since the acquisition date	4

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*	110
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	6

* Before intercompany elimination; based on local statutory financial information.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Dobrá energie s.r.o. are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Intangible assets	-	27	27
Trade receivables and other assets	17	-	17
Cash and cash equivalents	4	-	4
Deferred tax liabilities	-	(5)	(5)
Contract liabilities	(4)	-	(4)
Trade payables and other liabilities	(17)	-	(17)
Net identifiable assets and liabilities	**-**	**22**	**22**
Goodwill on acquisitions of a subsidiary			-
Cost of acquisition			**22**
Consideration paid, satisfied in cash (A)			22
Total consideration transferred			**22**
Less: Cash acquired (B)			4
Net cash inflow (outflow) (C) = (B – A)			**(18)**

(1) Represents values at 100% share.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date	25
Profit (loss) of the acquirees recognised since the acquisition date	2

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*	48
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	3

* Before intercompany elimination; based on local statutory financial information.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Kraftwerk Schkopau GrB are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Property, plant, equipment, land, buildings	10	43	53
Trade receivables and other assets	154	(66)	88
Inventories	9	-	9
Cash and cash equivalents	13	-	13
Provisions	(15)	-	(15)
Deferred tax liabilities	-	(5)	(5)
Trade payables and other liabilities	(118)	66	(52)
Net identifiable assets and liabilities	**53**	**38**	**91**
Goodwill on acquisitions of a subsidiary			3
Cost of acquisition			**94**
Consideration paid, satisfied in cash (A)			21
Consideration, other			73
Total consideration transferred			**94**
Less: Cash acquired (B)			13
Net cash inflow (outflow) (C) = (B – A)			**(8)**

(1) Represents values at 100% share.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date(1)	418
Profit (loss) of the acquirees recognised since the acquisition date(1)	(30)

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*(1)	676
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*(1)	(24)

* Before intercompany elimination; based on local statutory financial information.

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

Appendix 2 – Disposals of investments

The following table provides further information on the amounts of assets and liabilities disposed as at the disposal date for individually significant business disposals.

EFFECT OF DISPOSALS

I. 31 DECEMBER 2020

On 12 May 2020, the Group accounted for disposal of its 100% interest in Nová Invalidovna, a.s. and on 15 May 2020 the Group accounted for disposal of its 100% interest in PT Properties IV, a.s. The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Assets held for sale	(1)
Net identifiable assets and liabilities	**(1)**
Net assets value disposed	**(1)**
Gain (loss) on disposal	**3**

On 30 September 2020, the EPIF Group accounted for disposal of its 100% interests in Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci. EPH Group's effective interest was 69%. The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Translation difference recycled to OCI	20
Net assets value disposed	**20**
Gain (loss) on disposal	**(20)**
Indirect non-controlling interest	6
Gain (loss) on disposal attributable to non-controlling interest	**(6)**

On 1 October 2020, the Group accounted for disposal of its 100% interest in Kernaman S.A.S. The effects of disposal are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(294)
Trade receivables and other assets	(16)
Inventories	(2)
Cash and cash equivalents	(7)
Provisions	34
Deferred tax liabilities	9
Trade payables and other liabilities	132
Net identifiable assets and liabilities	**(144)**
Net assets value disposed	**(144)**
Gain (loss) on disposal	**36**

On 3 November 2020, the EPIF Group disposed 100% in Pražská teplárenská a.s. and its subsidiaries and associates. EPH Group's effective interest was 69%. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(182)
Intangible assets	(1)
Participation with significant influence	(1)
Trade receivables and other assets	(59)
Inventories	(2)
Cash and cash equivalents	(12)
Deferred tax asset	(1)
Provisions	6
Deferred tax liabilities	20
Loans and borrowings	10
Trade payables and other liabilities	160
Net identifiable assets and liabilities	**(62)**
Pricing differences	9
Net assets value disposed	**(53)**
Gain (loss) on disposal	**446**
Indirect non-controlling interest	16
Gain (loss) on disposal attributable to non-controlling interest	**138**

On 3 November 2020, the EPIF Group disposed 100% in PT Transit, a.s. EPH Group's effective interest was 69%. The effect of disposal is provided in the following table:

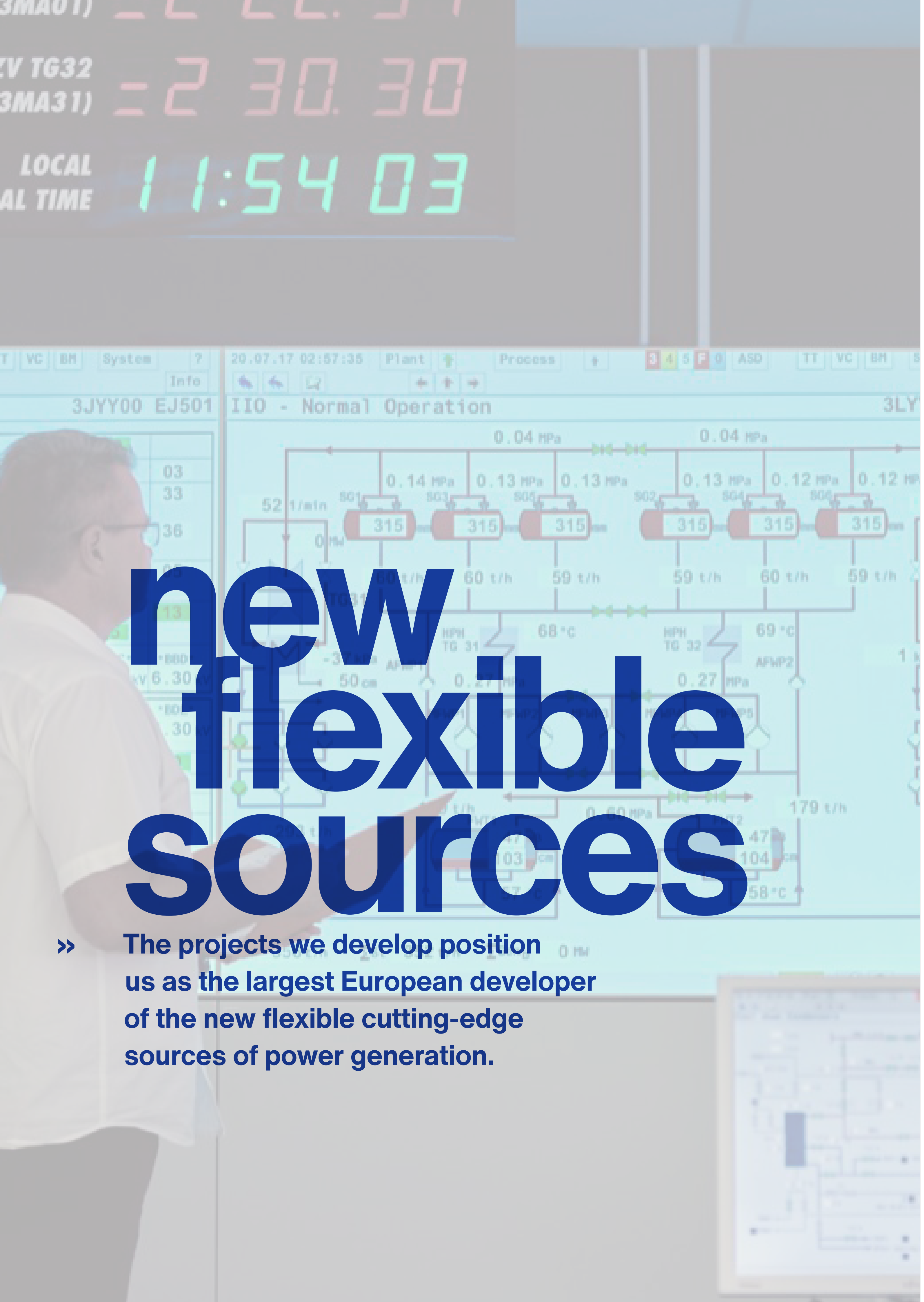
In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(30)
Trade receivables and other assets	(44)
Cash and cash equivalents	(1)
Deferred tax liabilities	5
Net identifiable assets and liabilities	**(70)**
Net assets value disposed	**(70)**
Gain (loss) on disposal	**99**
Indirect non-controlling interest	22
Gain (loss) on disposal attributable to non-controlling interest	**31**

On 2 December 2020, the EPIF Group disposed 95.62% in Budapesti Erőmű Zrt. and Energia-pro Zrt. EPH Group's effective interest was 65.98%. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(43)
Intangible assets	(7)
Trade receivables and other assets	(23)
Financial instruments – assets	(6)
Inventories	(7)
Cash and cash equivalents	(33)
Restricted cash	(4)
Deferred tax asset	(6)
Provisions	20
Deferred tax liabilities	6
Trade payables and other liabilities	23
Net identifiable assets and liabilities	**(80)**
Direct non-controlling interest	3
Translation difference recycled to OCI	(7)
Net assets value disposed	**(84)**
Gain (loss) on disposal	**260**
Indirect non-controlling interest	24
Gain (loss) on disposal attributable to non-controlling interest	**81**



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Single audit report

Deloitte.

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Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Energetický a průmyslový holding, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

Opinion

We have audited the accompanying financial statements of Energetický a průmyslový holding, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2021, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Energetický a průmyslový holding, a.s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

As described in Note 2(i) to the financial statements, Energetický a průmyslový holding, a.s. has not prepared an annual report as at 31 December 2021, as the respective information is included in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 31 March 2022

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	Ladislav Šauer registration no. 2261
Deloitte	

Statutory Financial Statements for the Year Ended 31 December 2021

EPH

Statutory Financial Statements
Year ended 31 December 2021
and Notes to the Statutory Financial Statements

Balance Sheet

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

Pařížská 130/26
Josefov
110 00 Praha 1

FULL VERSION

As of 31 December 2021
(in CZK thousand)

		31.12.2021			31.12.2020
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	**161 292 139**	**147 022**	**161 145 117**	**131 231 789**
B.	**Fixed assets**	**116 624 800**	**147 022**	**116 477 778**	**114 501 996**
B.I.	***Intangible fixed assets***	**137**	**137**		
B.I.4.	Other intangible fixed assets	137	137		
B.II.	***Tangible fixed assets***	**1 874**	**885**	**989**	**1 323**
B.II.2.	Tangible movable assets and sets of tangible movable assets	1 874	885	989	1 323
B.III.	***Non-current financial assets***	**116 622 789**	**146 000**	**116 476 789**	**114 500 673**
B.III.1.	Equity investments – controlled or controlling entity	116 495 073	146 000	116 349 073	114 378 987
B.III.3.	Equity investments in associates				1 928
B.III.5.	Other non-current securities and investments	127 716		127 716	119 758
C.	**Current assets**	**44 537 480**		**44 537 480**	**16 724 952**
C.I.	***Inventories***	**32 702**		**32 702**	**10 649**
C.I.2.	Work in progress and semifinished goods	32 702		32 702	10 649
C.II.	***Receivables***	**38 709 322**		**38 709 322**	**13 290 838**
C.II.1.	Long-term receivables	**4 845 381**		**4 845 381**	**808 833**
C.II.1.2.	Receivables – controlled or controlling entity	4 764 833		4 764 833	808 826
C.II.1.5.	*Receivables – other*	**80 548**		**80 548**	**7**
C.II.1.5.4.	Sundry receivables	80 548		80 548	7
C.II.2.	***Short-term receivables***	**33 863 941**		**33 863 941**	**12 482 005**
C.II.2.1.	Trade receivables	265 590		265 590	278 753
C.II.2.2.	Receivables – controlled or controlling entity	32 626 695		32 626 695	11 417 606
C.II.2.3.	Receivables – associates				189 937
C.II.2.4.	*Receivables – other*	**971 656**		**971 656**	**595 709**
C.II.2.4.3.	State – tax receivables	82 448		82 448	213 441
C.II.2.4.4.	Short-term prepayments made	9 395		9 395	8 959
C.II.2.4.5.	Estimated receivables	1 766		1 766	467
C.II.2.4.6.	Sundry receivables	878 047		878 047	372 842
C.IV.	***Cash***	**5 795 456**		**5 795 456**	**3 423 465**
C.IV.1.	Cash on hand	22		22	11
C.IV.2.	Cash at bank	5 795 434		5 795 434	3 423 454
D.	**Other assets**	**129 859**		**129 859**	**4 841**
D.1.	Deferred expenses	129 859		129 859	4 841

		31.12.2021	31.12.2020
	TOTAL LIABILITIES & EQUITY	**161 145 117**	**131 231 789**
A.	**Equity**	**87 081 781**	**92 154 572**
A.I.	***Share capital***	**4 000 000**	**4 000 000**
A.I.1.	Share capital	4 000 000	4 000 000
A.II.	***Share premium and capital funds***	**-344 796**	**-281 634**
A.II.2.	*Capital funds*	**-344 796**	**-281 634**
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-344 796	-281 634
A.IV.	***Retained earnings (+/-)***	**69 916 619**	**74 849 908**
A.IV.1.	Accumulated profits or losses brought forward (+/-)	69 916 619	74 849 908
A.V.	***Profit or loss for the current period (+/-)***	**13 509 958**	**13 586 298**
B.+C.	**Liabilities**	**74 062 580**	**39 069 576**
B.	**Reserves**	**2 599**	**1 818**
B.4.	Other reserves	2 599	1 818
C.	**Payables**	**74 059 981**	**39 067 758**
C.I.	***Long-term payables***	**52 678 650**	**26 801 176**
C.I.1.	*Bonds issued*	**1 491 600**	1 312 250
C.I.1.2.	Other bonds	1 491 600	1 312 250
C.I.2.	Payables to credit institutions	36 544 200	3 399 400
C.I.5.	Long-term bills of exchange to be paid	190 355	333 162
C.I.6.	Payables - controlled or controlling entity	13 831 206	21 609 717
C.I.9.	*Payables - other*	**621 289**	**146 647**
C.I.9.3.	Sundry payables	621 289	146 647
C.II.	***Short-term payables***	**21 381 331**	**12 266 582**
C.II.1.	*Bonds issued*	**1 137 637**	**1 511 715**
C.II.1.2.	Other bonds	1 137 637	1 511 715
C.II.2.	Payables to credit institutions	7 232 001	3 088 724
C.II.4.	Trade payables	77 635	40 005
C.II.5.	Short-term bills of exchange to be paid	872 155	2 561 163
C.II.6.	Payables - controlled or controlling entity	11 687 327	4 880 047
C.II.8.	*Other payables*	**374 576**	**184 928**
C.II.8.3.	Payables to employees	3 710	3 505
C.II.8.4.	Social security and health insurance payables	1 032	1 053
C.II.8.5.	State - tax payables and subsidies	738	786
C.II.8.6.	Estimated payables	19 696	110 348
C.II.8.7.	Sundry payables	349 400	69 236
D.	**Other liabilities**	**756**	**7 641**
D.1.	Accrued expenses	756	7 641

Profit and Loss Account

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

STRUCTURED BY THE NATURE OF EXPENSE METHOD

31.12.2021
(in CZK thousand)

Pařížská 130/26
Josefov
110 00 Praha 1

		Year ended 31.12.2021	Year ended 31.12.2020
I.	Sales of products and services	51 684	29 387
A.	Purchased consumables and services	388 934	331 601
A.2.	Consumed material and energy	1 258	4 751
A.3.	Services	387 676	326 850
B.	Change in internally produced inventory (+/-)	-22 053	3 918
D.	Staff costs	107 867	85 318
D.1.	Payroll costs	88 164	68 774
D.2.	Social security and health insurance costs and other charges	19 703	16 544
D.2.1.	Social security and health insurance costs	19 679	16 530
D.2.2.	Other charges	24	14
E.	Adjustments to values in operating activities	393	162
E.1.	Adjustments to values of intangible and tangible fixed assets	393	162
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	393	162
III.	Other operating income	553 072	891 663
III.3.	Sundry operating income	553 072	891 663
F.	Other operating expenses	557 904	935 374
F.3.	Taxes and charges	12	11
F.4.	Reserves relating to operating activities and complex deferred expenses	781	835
F.5.	Sundry operating expenses	557 111	934 528
*	**Operating profit or loss (+/-)**	**-428 289**	**-435 323**
IV.	Income from non-current financial assets - equity investments	13 630 417	16 646 887
IV.1.	Income from equity investments - controlled or controlling entity	13 630 417	16 646 887
G.	Costs of equity investments sold	2 831 684	25 002
VI.	Interest income and similar income	370 588	836 474
VI.1.	Interest income and similar income - controlled or controlling entity	310 362	224 530
VI.2.	Other interest income and similar income	60 226	611 944
I.	Adjustments to values and reserves relating to financial activities	-6 832 023	-3 730 173
J.	Interest expenses and similar expenses	1 187 909	1 532 967
J.1.	Interest expenses and similar expenses - controlled or controlling entity	654 749	984 939
J.2.	Other interest expenses and similar expenses	533 160	548 028
VII.	Other financial income	7 556 147	4 773 474
K.	Other financial expenses	10 090 882	10 412 251
*	**Financial profit or loss (+/-)**	**14 278 700**	**14 016 788**
**	**Profit or loss before tax (+/-)**	**13 850 411**	**13 581 465**
L.	Income tax	340 453	-4 833
L.1.	Due income tax	340 453	-4 833
**	**Profit or loss net of tax (+/-)**	**13 509 958**	**13 586 298**
***	**Profit or loss for the current period (+/-)**	**13 509 958**	**13 586 298**
*	Net turnover for the current period	22 161 908	23 177 885

Statement of Changes in Equity

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

Year ended 31 December 2021
(in CZK thousand)

Pařížská 130/26
Josefov
110 00 Praha 1

	Share capital	Gains or losses from the revaluation of assets and liabilities	Accumulated profits brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2019	**3 535 135**	**-351 738**	**94 142 586**	**2 908 939**	**100 234 922**
Distribution of profit or loss			2 908 939	-2 908 939	
Resolution on the increase in share capital	464 865				464 865
Profit shares declared			-22 201 617		-22 201 617
Gains or losses from the revaluation of assets and liabilities		70 104			70 104
Profit or loss for the current period				13 586 298	13 586 298
Balance at 31 December 2020	**4 000 000**	**-281 634**	**74 849 908**	**13 586 298**	**92 154 572**
Distribution of profit or loss			13 586 298	-13 586 298	
Profit shares declared			-18 519 586		-18 519 586
Gains or losses from the revaluation of assets and liabilities		-63 162			-63 162
Profit or loss for the current period				13 509 958	13 509 958
Rounding			-1		-1
Balance at 31 December 2021	**4 000 000**	**-344 796**	**69 916 619**	**13 509 958**	**87 081 781**

Cash Flow Statement

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31 December 2021
(in CZK thousand)

		Year ended 31.12.2021	Year ended 31.12.2020
P.	**Opening balance of cash and cash equivalents**	**3 423 465**	**1 989 273**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss from ordinary activities before tax	13 850 411	13 581 465
A.1.	Adjustments for non-cash transactions	-14 322 972	-14 324 415
A.1.1.	Depreciation of fixed assets	393	162
A.1.2.	Change in provisions and reserves	-6 832 023	-3 645 855
A.1.3.	Profit/(loss) on the sale of fixed assets	2 382 751	298
A.1.4.	Revenues from profit shares	-13 181 484	-16 622 908
A.1.5.	Interest expense and interest income	817 321	696 493
A.1.6.	Adjustments for other non-cash transactions	2 490 070	5 247 395
A.*	**Net operating cash flow before changes in working capital**	**-472 561**	**-742 950**
A.2.	Change in non/cash components of working capital	-263 694	75 250
A.2.1.	Change in operating receivables and other assets	-236 194	107 577
A.2.2.	Change in operating payables and other liabilities	-27 699	-32 327
A.2.3.	Change in inventories	199	
A.**	**Net cash flow from operations before tax**	**-736 255**	**-667 700**
A.3.	Interest paid	-1 169 508	-1 253 473
A.4.	Interest received	76 508	521 234
A.5.	Income tax paid and additional tax assessment for prior years	-213 875	-390 975
A.***	**Net operating cash flows**	**-2 043 130**	**-1 790 914**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-2 552 125	-604 532
B.2.	Proceeds from fixed assets sold	376 885	
B.3.	Loans and borrowings to related parties	-25 060 573	3 038 054
	Received profit shares	978 424	275 196
B.***	**Net investment cash flows**	**-26 257 389**	**2 708 718**
	Cash flow from financial activities		
C.1.	Change in payables from financing	49 192 096	22 718 005
C.2.	Impact of changes in equity	-18 519 586	-22 201 617
C.2.1.	Cash increase in share capital, share premium, funds rom profit		464 865
C.2.6.	Profit shares paid	-18 519 586	-22 666 482
C.***	**Net financial cash flows**	**30 672 510**	**516 388**
F.	**Net increase or decrease in cash and cash equivalents**	**2 371 991**	**1 434 192**
R.	**Closing balance of cash and cash equivalents**	**5 795 456**	**3 423 465**

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S.

Year ended 31 December 2021
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

1. Incorporation and description of the Company

Energetický a průmyslový holding, a.s. ("the Company" or "EPH") was registered in the Commercial Register on 10 August 2009 by subscription of the registered capital in the form of a non-monetary contribution of 100% of shares of Bauliga, a.s., Honor Invest, a.s. and Masna Holding Limited.

Energetický a průmyslový holding (the "EPH") is a leading European energy group that owns and operates assets in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Ireland, France, and Switzerland. EPH is a vertically integrated energy utility covering a complete value chain with a primary focus on gas transmission, distribution and storage as well as power and heat generation and distribution. The Group focuses on regulated and long-term contracted assets in the areas of natural gas transmission, power, gas and heat distribution as well as gas storage and power generation.

OWNERSHIP STRUCTURE

The shareholders of the Company as of 31 December 2021 are:

	Interest in registered capital	Voting rights
EP Corporate Group, a.s.	56% plus 1 share	56% plus 1 share
J&T ENERGY HOLDING, a.s.	44% less 1 share	44% less 1 share
Total	**100%**	**100%**

REGISTERED OFFICE

Energetický a průmyslový holding, a.s.
Pařížská 130/26, Josefov
110 00 Praha 1
Czech Republic

IDENTIFICATION NUMBER

283 56 250

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2021

MEMBERS OF THE BOARD OF DIRECTORS

JUDr. Daniel Křetínský (Chairman)
Mgr. Marek Spurný
Mgr. Pavel Horský
Ing. Jan Špringl

MEMBERS OF THE SUPERVISORY BOARD

Mgr. Petr Sekanina (Chairman)
Mgr. Tereza Štefunková
Mgr. Martin Fedor

2. Basis of accounting and general accounting policies applied by the Company

The accompanying financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations, and decrees applicable to entrepreneurs, Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The financial statements have been prepared on the historical cost basis.

The financial statements of the Company have been prepared as at the balance sheet date of 31 December 2021 for the 2021 calendar year (“the year” or “the accounting period”).

All amounts are shown in thousands of Czech crowns (“CZK thousand”), unless stated otherwise.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2021
(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

A TANGIBLE AND INTANGIBLE FIXED ASSETS

VALUATION METHOD

Purchased fixed assets are measured at prices pursuant to Section 47 of Decree No. 500/2002. Tangible fixed assets costing up to CZK 80 thousand and intangible fixed assets costing up to CZK 80 thousand are not recognised in the balance sheet and are expensed in the year that they are acquired.

Assets generated by the Company’s own activity are measured at cost, which includes direct material and personnel expenses and overheads related to the production of the assets. Interest and other financial expenses are capitalised during the period of acquisition of the assets, i.e. until the assets are put to use. Afterwards, they are part of financial costs.

Intangible and tangible fixed assets acquired free of charge are measured at their replacement cost and posted in the ‘Other capital funds’ account (not depreciated) and in asset accounts against accumulated depreciation (depreciated).

The temporary impairment of fixed intangible and tangible assets is shown through adjustments, which are reported in the correction column of the balance sheet along with depreciation.

Costs of technical improvement increases the cost of intangible and tangible fixed assets. Repair and maintenance costs are charged to current year expenses.

DEPRECIATION (AMORTISATION)

Tangible and intangible fixed assets are depreciated (amortised) based on their acquisition cost and estimated useful lives on a straight-line and monthly basis, depreciation (amortisation) starts in the month following the month in which a relevant asset is put into use and ends in the month in which the asset is disposed of. For technical improvements that become part of the depreciated assets, depreciation (amortisation) starts in the month in which a relevant technical improvement is put into use (this does not apply to technical improvements made to fixed assets of another).

Assets are depreciated (amortised) using the following methods over the following periods:

Assets	Method	Period
Computer technology	Straight-line	3 years
Other intangible assets (trademark)	Straight-line	6 years

Land, works of art and fixed assets under construction are not depreciated.

B NON-CURRENT FINANCIAL ASSETS

Non-current financial assets include equity investments in subsidiaries and associated companies, debt securities that the Company has the intent and ability to hold to maturity, and other long-term securities for which the Company's intent is not known upon acquisition.

Securities are initially stated at cost defined under Section 48 of Decree No. 500/2002 Coll. The cost of securities does not include interest on loans taken for their acquisition and expenses associated with their holding.

Equity investments are measured at acquisition cost at the balance sheet date. Where a particular equity investment has been impaired, a provision is recognised based on performed impairment tests. Impairment tests are carried out in the form of discounted operating cash flows.

Equity investments contributed to the Company's registered capital are measured based on an expert opinion of an independent expert appointed by court.

If equity investments are held in foreign currencies, they are translated as at the balance sheet date using

the current rates of exchange announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

Available-for-sale securities and ownership interests are measured at fair value if the value can be determined. A change in fair value of available-for-sale securities is recognised in gains or losses from the revaluation of assets and liabilities in equity, if this is a change in fair value that is unlikely to be permanent. Impairment that is likely to be permanent is recognised as current period costs. If fair value of available-for-sale securities demonstrably increases after the impairment is recognised in finance cost accounts, the increase in fair value recognised up to the amount of formerly recognised impairment is recognised as revenue of the relevant period. The market value of securities as of the date of financial statements is used as the fair value.

If securities are held in foreign currencies, they are translated as at the balance sheet date using the current rates of exchange announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

C RECEIVABLES

Receivables are accounted for at their nominal value, assigned receivables are stated at acquisition cost, i.e. including other related costs (Section 25 of Act No. 563/1991 Coll.).
As of the balance sheet date, a temporary impairment of doubtful receivables is accounted for using provisions that are debited to expenses and are shown in the correction column in the balance sheet. Provisions are recognised against receivables based on an analysis of the credit status of individual customers.

The value of receivables from provided loans is increased by uncollected interest (except for default interest).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2021
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

D DERIVATIVES

TRADING DERIVATIVES

As of the balance sheet date, derivatives held for trading are recognised at fair value under 'Other receivables' or 'Other payables', and gains (losses) from changes in their fair values are recognised in profit or loss.

E LOANS RECEIVED AND GRANTED

Short-term and long-term loans are initially recognised at their nominal value upon receipt. Upon the preparation of the financial statements the loan balances are increased by unpaid interest charged by banks or other parties. The part of long-term loans due within one year from the balance sheet date is classified as short-term.

F FOREIGN CURRENCY TRANSACTIONS

The Company applies the Czech National Bank official exchange rate effective on the date of acquisition of an asset or the occurrence of a liability to translate foreign currency transactions. Realised foreign exchange gains and losses are recognised in the profit and loss account.

As of the balance sheet date, foreign currency assets and liabilities are translated at the prevailing Czech National Bank official rates and all foreign exchange differences arising from gains or losses from assets and liabilities were recorded in financial revenues or financial expenses (except for equity investments – see Note 2(b)).

G RECOGNITION OF EXPENSES AND REVENUES

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing. In compliance with the principle of prudence, reserves and provisions are created to cover all risks, losses and impairment known as of the balance sheet date and are debited to expenses.

H INCOME TAX

Current income tax is calculated using the effective tax rate and the accounting profit increased or decreased by permanent or temporary non-deductible expenses and non-taxable revenues (e.g. the creation and utilisation of other reserves and provisions, representation costs, differences between accounting and tax depreciation).

Deferred income tax is determined for companies constituting a group of companies and for all entities subject to the obligation of having their financial statements audited. It is based on the balance sheet approach, i.e. the temporary differences between the tax base of assets and liabilities and their book value in the balance sheet, multiplied by the income tax rate expected to be valid for the subsequent accounting period.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

An income tax reserve is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this reserve and records the actual tax liability determined.

In the balance sheet, the income tax reserve is reduced by income tax prepayments, and the net receivable (if any) is presented in 'State – tax receivables', the net payable (if any) is presented in 'Income tax reserve'.

I CONSOLIDATION

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the EU. The consolidated financial statements are part of the consolidated annual report, which may be obtained at the Company's registered office and at www.epholding.cz or www.justice.cz in the collection of documents of Energetický a průmyslový holding, a.s.

The consolidated financial statements for the widest group of entities for the year 2021 are prepared by EP Investment S.à r.l, with its registered office at Place de Paris 2, L-2314 Luxembourg, where the consolidated financial statements are also available.

J EXTERNAL FINANCING COSTS

Costs incurred to obtain external financing (including other associated costs) are accrued over the term of the loans to which they relate.

K DIVIDENDS

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Profit share prepayments are recognised in current year revenues, i.e. in the period when the profit share prepayment was declared.

3. Change in accounting policies and procedures

VALUATION OF ASSETS

As of 1 January 2021, the Company changed the method of valuation of tangible and intangible fixed assets. With regard to tangible fixed assets, it increased the limit for asset acquisition cost from 40 thousand CZK to CZK 80 thousand on an individual basis. With regard to intangible fixed assets, it increased the limit for asset acquisition cost from CZK 60 thousand to CZK 80 thousand on an individual basis. The current methodology is described in Note 2(a). This change had no material impact on the financial statements given the low total balance of tangible and intangible fixed assets.

EXTERNAL FINANCING COSTS

As of 1 January 2021, the Company changed the method of recognising costs related to external financing, including associated fees, so that they are now accrued over the term of the loan to which they relate based on the original recognition method where costs related to external financing, including associated fees, were expensed on a one-time basis.

4. Other significant events – Impacts of COVID-19 on the financial statements

The events related to the COVID-19 pandemic do not entail any uncertainties for the Company that would fundamentally challenge the Company's ability to continue as a going concern.

In accordance with the disclosure requirements, the Company carefully considered its specific conditions and risk factors when analysing the possible impacts of the global COVID-19 pandemic on its financial statements. Based on the assessment, no significant impacts on the financial statements for the year ended 31 December 2021 were identified. The Company mainly focused on the following areas:

- In connection with the impacts of the pandemic, the methodology of creating assumptions and estimates did not change compared to the procedures applied in previous financial statements. Any potential changes are described in the Notes above and have a different (e.g. legal) reason.
- When assessing the impacts of the pandemic, no reasons for the impairment of non-financial assets were identified; therefore, the Company believes that the financial statements fully reflect the recoverable amount or net realisable value of a particular asset.

- Similarly, when measuring assets at fair value, identifying provisions or classifying financial assets, market data at the measurement date were fully reflected at arm's length. The Company also assessed the ability of debtors to meet their obligations. The Company also critically assessed whether its business activities were affected by supply and demand disruptions and identified no significant impacts that would affect the measurement of financial assets.
- The Company received no government subsidies.
- The pandemic situation did not affect compliance with covenants.
- In connection with COVID-19, the Company neither excluded any items from the operating income nor introduced any new alternative performance measures.

Although there is uncertainty about future events, the Company's management will continue to critically monitor and assess the impacts of the pandemic and adopt or adjust relevant measures to be able to eliminate or successfully address and minimise all financial and non-financial impacts that may arise.

The impact of the invasion of Ukraine is discussed in Note 18 *Material subsequent events*.

5. Cash flow statement

The cash flow statement was prepared using the indirect method. Cash equivalents represent short-term liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(in CZK thousand)

	Balance as of 31/12/2021	Balance as of 31/12/2020
Cash on hand	22	11
Cash at bank	5 795 434	3 423 454
Total	**5 795 456**	**3 423 465**

Cash flows from operating, investing or financial activities presented in the cash flow statement are not off-set.

6. Non-current financial assets

AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

Equity investments – controlled or controlling entity	Total profit (+) loss (-) for year 2021 (in thousands of CZK/EUR/PLN/RSD)	Equity as of 31/12/2021 (in thousands of CZK/EUR/PLN/RSD)	Acquisition cost as of 31/12/2021 (in CZK thousand)	Acquisition cost as of 31/12/2020 (in CZK thousand)
EPIF Investments a.s.*	1 755 627 (CZK)	91 069 130 (CZK)	91 059 000	91 059 000
EP Investment Advisors, s.r.o.*	22 442 (CZK)	291 164 (CZK)	291 000	437 000
EP Logistics International, a.s.*	95 443 (CZK)	149 205 (CZK)	68 070	68 070
EP Real Estate, a.s.*	21 298 (CZK)	2 132 551(CZK)	2 437 606	1 300 000
JTSD - Braunkohlebergbau GmbH*	-24 186 EUR)	52 089(EUR)	387 856	409 464
Nadácia EPH*	0 (EUR)	6 (EUR)	165	174
EPH Financing SK, a.s.	133 (EUR)	458 (EUR)	751	184 507
EP Slovakia B.V.*	-445 (EUR)	157 070 (EUR)	3 963 380	4 172 378
EPH Financing CZ, a.s.*	1 924 (CZK)	3 788 (CZK)	12 000	12 000
EP Power Europe, a.s. *	3 487 614 (CZK)	34 520 813 (CZK)	17 986 021	16 583 726
Adconcretum real estate Ltd.*	-1 606 (RSD)	215 356 (RSD)	87 995	91 585
ABS PROPERTY LIMITED*	36 841 (CZK)	56 544 (CZK)	53 229	56 195
EPHCEI HoldCo a.s.*	-34 (CZK)	1 966 (CZK)	2 000	-
WOOGEL LIMITED	-	-	-	6
EP Resources CZ a.s.	-	-	-	2 000
DCR INVESTMENT a.s., v likvidaci **	-	-	-	2 562
SEDILAS ENTERPRISES LIMITED	-	-	-	26
Mining Services and Engineering Sp. z o.o.	-	-	-	294
Total			**116 495 073**	**114 378 987**

* Data derived from non-audited financial statements as of 31 December 2021.
** The Company entered into the liquidation process on 1 February 2020.

Except for JTSD (10%), all equity investments are fully owned. The remaining 90% is owned by a 100% subsidiary of EP Power Europe, a.s., therefore the company is listed as controlled.

The Company recognised a provision in the amount of CZK 146,000 thousand against a financial investment in EP Investment Advisors, s.r.o. (as of 31 December 2020: CZK 0 thousand).

AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

Equity investments – in associates	Total profit (+) loss (-) for year 2021 (in PLN thousand)	Equity as at 31/12/2021 (in PLN thousand)	Acquisition cost as of 31/12/2021 (in CZK thousand)	Acquisition cost as of 31/12/2020 (in CZK thousand)
Przedsiebiorstwo Górnicze Silesia Sp. z o.o. ("PGS")	-	-	-	2 646 635
Total	-	-	**-**	**2 646 635**

The Company reversed a provision in the amount of CZK 2,644,707 thousand against its equity investment in associate PGS (as of 31 December 2020: CZK 2,644,707 thousand).

REGISTERED OFFICES OF THE COMPANIES AS OF 31 DECEMBER 2021 WERE AS FOLLOWS:

Adconcretum real estate Ltd., Belgrade, Vuka Karadzica 6, Serbia
ABS PROPERTY LIMITED, 7 Argyle Square, Morehampton Road, Donnybrook, Dublin 4, D04K3H0, Ireland
JTSD Braunkohlebergbau GmbH, Glück-Auf-Straße 1, 06711 Zeitz, Germany
EP Logistics International, a.s., náměstí Hrdinů 1693/4a, Nusle, 140 00 Praha 4, Czech Republic
EP Real Estate, a.s., Partyzánská 1/7, Holešovice, 170 00 Praha 7, Czech Republic
EP Power Europe, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EPIF Investments a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Investment Advisors, s.r.o., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Nadácia EPH, Cukrová 2272/14, Bratislava – Staré Mesto, 811 08, Slovakia
EPH Financing SK, a.s., Dúbravská cesta 14, Bratislava - mestská časť Karlova Ves, 841 04, Slovakia
EPH Financing CZ, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Slovakia B.V., Schiphol Boulevard 477 C-4, 1118BK, Schiphol, Netherlands

In 2021, there were the following changes in non-current financial assets:

a) On 8 January 2021, the Company sold its 100% equity investment in EP Resources CZ a.s. to EP Power Europe, a.s.

b) In January 2021, the equity investment in DCR INVESTMENT a.s. was dissolved as the company was liquidated.

c) On 28 January 2021, the Company sold its 100% equity investment in Mining Services and Engineering sp. Z o.o. v.

d) On 28 January 2021, the Company sold its 38.93% equity investment in PRZEDSIEBIORSTWO GÓRNICZE SILESIA Sp. z o.o.

e) On 4 February 2021, the Company increased its equity investment in EP Real Estate a.s. in the form of an additional equity contribution of CZK 161,302 thousand.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2021
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

f) On 28 February 2021, the Company increased its shareholding in EP Slovakia B.V. in the form of an additional equity contribution of EUR 370 thousand (CZK 9,692 thousand).

g) On 30 April 2021, the value of the equity investment in EPH Financing SK, a.s. was reduced on the basis of a payment from the capital fund of EUR 7 thousand (CZK 180 thousand).

h) On 11 May 2021, the Company increased its equity investment in Adconcretum real estate Ltd. in the form of an additional equity contribution of EUR 20 thousand (CZK 512 thousand).

i) On 31 May 2021, the Company increased its equity investment in Adconcretum real estate Ltd. in the form of an additional equity contribution of EUR 30 thousand (CZK 764 thousand).

j) On 31 May 2021, the Company increased its equity investment in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 1,402,295 thousand.

k) On 15 July 2021, the Company sold its 25% equity investment in WOOGEL LIMITED.

l) On 20 July 2021, the Company sold its 100% equity investment in SEDILAS ENTERPRISES LIMITED.

m) On 8 September 2021, EPHCEI HoldCo a.s. was incorporated.

n) On 8 December 2021, the Company increased its equity investment in EP Real Estate, a.s. in the form of an additional equity contribution of CZK 686,305 thousand.

o) On 15 December 2021, the Company increased its equity investment in EP Slovakia B.V. in the form of an additional equity contribution of EUR 80 thousand (CZK 2,022 thousand).

p) On 22 December 2021, the Company increased its equity investment in EP Real Estate, a.s. in the form of an additional equity contribution of CZK 290,000 thousand

The Company did not disclose the amounts for which its equity investments were sold as the Company considers it a trade secret.

Other non-current securities and investments include acquired profit participation certificates measured at fair value of CZK 127,706 thousand (CZK 119,748 thousand as of 31 December 2020).

7. Long-term receivables

A RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Logistics International, a.s.	109 030	-	2027
EP Logistics International, a.s.	120 000	-	2023
EP Power Europe, a.s.	4 004 955	79 280	2024
EP Resources CZ a.s.	451 568	-	2023
Total	**4 685 553**	**79 280**	

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Logistics International, a.s.	109 030	-	2027
EP Logistics International, a.s.	160 000	-	2023
EP Logistics International, a.s.	194 213	283	2022
EP Resources CZ a.s.	345 300	-	2023
Total	**808 543**	**283**	

8. Short-term receivables

A TRADE RECEIVABLES

Trade receivables amount to CZK 265,590 thousand (CZK 278,753 thousand as of 31 December 2020). None of the trade receivables is due in more than five years as of the balance sheet date.

Short-term receivables also include intercompany debit advices resulting from provided guarantees in the amount of CZK 176,820 thousand (CZK 109,065 thousand as of 31 December 2020).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2021
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

B RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest
ABS PROPERTY LIMITED	73 031	-
Adconcretum real estate Ltd.	105	-
EP Corporate Group, a.s.	24 875	505
EP Logistics International, a.s.	109 384	13
EP Power Europe, a.s.	31 682 657	38 784
EP Real Estate, a.s.	88 000	-
EP Resources AG	551 256	-
EP Resources CZ a.s.	54 080	1 183
EPH Financing CZ, a.s.	2 822	-
Total	**32 586 210**	**40 485**

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest
ABS PROPERTY LIMITED	57 588	-
Adconcretum real estate Ltd.	898	-
Boldore a.s.	1 246	-
EP COAL TRADING POLSKA S.A.	126 694	-
EP Energy, a.s.	221 245	-
EP Investment Advisors, s.r.o.	1 000	-
EP Real Estate, a.s.	88 000	-
EP Resources AG	107 111	-
EP Resources CZ a.s.	111 173	2 309
EPH Financing CZ, a.s.	6 358	-
Mining Services and Engineering Sp. z o.o.	25 898*	12 241
EP Power Europe, a.s.	10 618 547	37 298
Total	**11 365 758**	**51 848**

* In 2021, Mining Services and Engineering Sp. Z o.o. was sold; the balance as of 31 December 2021 is recorded under Other receivables and is gradually repaid over a 24-month period from October 2021 in accordance with the payment schedule.

C RECEIVABLES – ASSOCIATES

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	4 040 603	638 940	2021
Total	**4 040 603**	**638 940**	

On 31 December 2020, the Company recognised a provision against the provided loan in the amount of CZK 4,489,607 thousand.

In 2021, PGS was sold, and as part of the transaction, the provision for the corresponding receivable was settled; and the remaining balance as of 31 December 2021 was recorded under Other receivables and is gradually repaid from October 2021 for the period of 24 months in accordance with the payment schedule.

D STATE – TAX RECEIVABLES

As of 31 December 2021, State – tax receivables primarily include a receivable arising from income tax prepayments made of CZK 400,072 thousand (as of 31 December 2020: CZK 186,197 thousand), which is reduced by an income tax reserve of CZK 340,453 thousand (as of 31 December 2020: CZK 0 thousand) and a receivable arising from value added tax of CZK 22,829 thousand (as of 31 December 2020: CZK 27,244 thousand).

E SUNDRY RECEIVABLES

Sundry receivables primarily include loans granted to non-related entities in the amount of CZK 502,971 thousand (CZK 25,680 thousand as of 31 December 2020), other receivables from operating activities in the amount of CZK 42,517 thousand (CZK 1,160 thousand as of 31 December 2020) and receivables arising from positive fair value of derivatives in the amount of CZK 332,559 thousand as stated below (CZK 346,002 thousand as of 31 December 2020).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2021
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

31 DECEMBER 2021

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2022	12 384
Currency swap	Bank no. 2	2022	22 592
Currency forward	Bank no. 3	2022	100 025
Currency forward	Bank no. 4	2022	135 707
Currency forward	Bank no. 5	2022	20 440
Currency forward	Bank no. 6	2022	41 411
Total			**332 559**

31 DECEMBER 2020

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2021	40 495
Currency swap	Bank no. 2	2021	50 323
Currency forward	Bank no. 3	2021	11 077
Currency forward	Bank no. 4	2021	188 075
Currency forward	Bank no. 5	2021	56 032
Total			**346 002**

F DEFERRED EXPENSES

As of 31 December 2021, deferred expenses mainly include deferred fees relating to bank loans of CZK 125,610 thousand (as of 31 December 2020: CZK 0 thousand – in 2020, all fees relating to bank loans were directly expensed and no deferrals were made).

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

9. Equity

As of 31 December 2021, the Company's share capital amounts to CZK 4,000,000 thousand; it comprises 4,000,000 pieces of ordinary registered shares in certificate form in the nominal value of CZK 1,000.

The change in gains or losses from the revaluation of assets and liabilities is due to foreign exchange differences arising from the revaluation of foreign currency shareholdings.

On 15 April 2021, the General Meeting of the Company decided to transfer the profit for the year 2020 to the retained earnings.

In August, November and December 2021, the General Meeting of the Company decided to declare the dividends to its shareholders in the amount of CZK 18,519,586 thousand, which were paid in cash.

As of the date of approval of these financial statements, the proposal for distribution of the profit for the year 2021 has not been made yet. The proposal will be prepared by the Board of Directors for the Company's shareholders and subsequently discussed and approved by the General Meeting.

In 2021, the Company did not acquire treasury shares or ownership interests.

10. Long-term payables

A OTHER BONDS

31 DECEMBER 2021

(in CZK thousand)

Bond	Principal	Outstanding interest	Due date
Bond no. 1	1 243 000	16 905	2025
Bond no. 2	248 600	3 491	2024
Total	**1 491 600**	**20 396**	

31 DECEMBER 2020

(in CZK thousand)

Bond	Principal	Outstanding interest	Due date
Bond no. 1	1 312 250	17 847	2025
Total	**1 312 250**	**17 847**	

The bond has no prospectus and is not listed in any public market.

Outstanding interest of CZK 20,396 thousand (as of 31 December 2020: CZK 17,847 thousand) is presented in short-term payables on the line 'Other bonds'.

B PAYABLES TO CREDIT INSTITUTIONS

31 DECEMBER 2021

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	1 740 200	3 211	• None	2023, 2025
Bank no. 6	2 486 000	345	• None *	2026
Bank no. 7	1 243 000	3 227	• None *	2024
Bank no. 9	2 486 000	514	• None *	2024
Bank no. 10	24 860 000	23 486	• None *	2024
Bank no. 11	3 729 000	2 952	• None*	2024
Total	**36 544 200**	**33 735**		

* Procedurally secured with a blank bill.

As of 31 December 2021, outstanding interest of CZK 33,735 thousand is presented in short-term payables to credit institutions.

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

31 DECEMBER 2020

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	524 900	321	• None	2023
Bank no. 2	524 900		• None	2023
Bank no. 3	918 575	-	• None*	2025
Bank no. 4	918 575	2 513	• None	2023
Bank no. 5	512 450	593	•None*	2023
Total	**3 399 400**	**3 427**		

* Procedurally secured with a blank bill.

As of 31 December 2020, a portion of the bank loan in the amount of EUR 7,000 thousand (CZK 183,715 thousand) is presented together with accrued interest in the short-term payables to credit institutions.

C LONG-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2021

(in CZK thousand)

	Nominal value	Interest
Bills maturing in 2023	181 300	9 055
Total	**181 300**	**9 055**

31 DECEMBER 2020

(in CZK thousand)

	Nominal value	Interest
Bills maturing in 2022 and 2023	329 709	3 453
Total	**329 709**	**3 453**

D PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EPH Financing CZ, a.s.	7 500 000	96 563	2025
EP FRANCE	4 350 500	10 072	2023
EP Power Europe, a.s.	1 980 706	179	2023
Total	**13 831 206**	**106 814**	

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EPH Financing SK, a.s.	183 715	9 009	2022
EPH Financing CZ, a.s.	10 000	550*	2022
EPH Financing CZ, a.s.	2 601 000	28 817	2022
EPH Financing CZ, a.s.	7 500 000	96 562	2025
EP FRANCE	4 592 875	15 635	2023
EP Investment Advisors, s.r.o.	45 000	3	2022
EP Power Europe, a.s.	6 676 576	604	2023
Total	**21 609 166**	**151 180**	

* The interest is due together with the principal.

The outstanding interest as of 31 December 2021 and 31 December 2020 is presented in 'Short-term payables - controlled or controlling entity'.

E SUNDRY PAYABLES

As of 31 December 2021, long-term sundry payables include liabilities arising from the fair value of derivatives in the amount of CZK 211,289 thousand (as of 31 December 2020: CZK 146,647 thousand) and a financial borrowing in the amount of CZK 410,000 thousand (as of 31 December 2020: CZK 0 thousand), which is due in 2023; interest is presented in short-term sundry payables.

(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

31 DECEMBER 2021

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2025	81 404
Currency forward	Bank no. 2	2025	129 885
Total			**211 289**

31 DECEMBER 2020

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2025	13 633
Currency forward	Bank no. 2	2022	41 879
Currency forward	Bank no. 2	2025	46 546
Currency forward	Bank no. 3	2022	44 589
Total			**146 647**

11. Short-term payables

A OTHER BONDS

As of 31 December 2021, other bonds in the amount of CZK 1,117,241 thousand (as of 31 December 2020: CZK 1,493,868 thousand) include the principal and accrued interest (see the table below) and accrued interest on bonds of CZK 20,396 thousand (as of 31 December 2020: CZK 17,847 thousand), the principal of which is reported in other long-term bonds.

31 DECEMBER 2021

(in CZK thousand)

Bonds	Principal	Accrued interest	Maturity
Bond 2	1 106 270	10 971	2023*
Total	**1 106 270**	**10 971**	

* Classified in short-term payables due to an option that may be exercised in 2022.

31 DECEMBER 2020

(in CZK thousand)

Bonds	Principal	Accrued interest	Maturity
Bond 2	1 167 902	11 582	2023**
Bond 3	314 940	-556*	2023**
Total	**1 482 842**	**11 026**	

* The value represents an interest overpayment in the amount of CZK 556 thousand.
** Classified in short-term payables due to an option that may be exercised in 2021.

The bonds do not have a prospectus and are not listed on any public market.

B PAYABLES TO CREDIT INSTITUTIONS

31 DECEMBER 2021

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 7	1 615 900	-	• None	2022
Bank no. 8	497 200	3 266	• None	2022
Bank no. 9	3 727 710	4 190	• None	2022
Bank no. 10	1 350 000	-	• None	2024*
Total	**7 190 810**	**7 456**		

* Loan from bank no. 10 has been classified as short term due to an option for early repayment that the bank may utilize once a year.

31 DECEMBER 2020

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	1 495 965	-	• None	2021
Bank no. 3	498 655	-	• None	2021
Bank no. 4	380 553	-	• None	2021
Bank no. 6	524 900	1 510	• None	2021
Total	**2 900 073**	**1 510**		

This line also includes the short-term portion of the bank loan and accrued interest (see Note 10(b)).

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

C TRADE PAYABLES

None of the trade payables is due in more than five years as of the balance sheet date; none of them are past due.

D SHORT-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2021

(in CZK thousand)

Bill holder	Nominal value	Interest
Bills maturing in 2022	852 852	19 303
Total	**852 852**	**19 303**

31 DECEMBER 2020

(in CZK thousand)

Bill holder	Nominal value	Interest
Bills maturing in 2021	2 465 487	95 676
Total	**2 465 487**	**95 676**

E PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest
EP Investment Advisors, s.r.o.	44 003	7
EP Commodities, a.s.	7 333 700	301
EP Mehrum GmbH	1 672 188	87
EPH Financing CZ, a.s.	10 000	900
EPH Financing CZ, a.s.	2 468 346	32 258
EPH Financing CZ, a.s.	-*	96 563
EPH Financing SK, a.s.	11 160	45
EP FRANCE	-*	10 072
EPIF Investments a.s.	-	7 518
EP Power Europe, a.s.	-*	179
Total	**11 539 397**	**147 930**

* The amounts of loan principal are presented in 'Long-term payables - controlled or controlling entity' (see Note 10(d)).

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest
SEDILAS ENTERPRISES LIMITED	1 648	1
EP Investment Advisors, s.r.o.	-*	3
EP Commodities, a.s.	3 805 525	156
WOOGEL LIMITED	5 669	47
EP Mehrum GmbH	916 323	47
EPH Financing CZ, a.s.	-*	0*
EPH Financing CZ, a.s.	-*	28 817
EPH Financing CZ, a.s.	-*	96 562
EPH Financing SK, a.s.	-*	9 009
EP FRANCE	-*	15 635
EP Power Europe, a.s.	-*	605
Total	**4 729 165**	**150 882**

* The loan principal and interest are presented in 'Long-term payables - controlled or controlling entity' (see Note 10(d)).

(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

F ESTIMATED PAYABLES

Estimated payables primarily include non-invoiced expenses from the insurance company in the amount of CZK 11,118 thousand (CZK 98,881 thousand as of 31 December 2020).

G SUNDRY PAYABLES

As of 31 December 2021, sundry short-term payables primarily include the liabilities arising from fair value of derivatives in the amount of CZK 183,865 thousand (CZK 9,023 thousand as of 31 December 2020) and a financial borrowing of CZK 159,440 thousand (CZK 60,000 thousand as of 31 December 2020).

31 DECEMBER 2021

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2022	41 188
Currency forward	Bank no. 2	2022	90 509
Currency forward	Bank no. 3	2022	52 168
Total			**183 865**

31 DECEMBER 2020

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2021	5 285
Currency forward	Bank no. 2	2021	3 738
Total			**9 023**

12. Revenues / Incomes and Expenses / Costs

The increase in revenues was influenced by centralised intercompany services provided, mainly in the area of controlling, financial management, legal advisory, central procurement, and information technologies.

Services relate especially to costs of accounting, audit, consolidation, legal services, notary services, and travel expenses.

Other operating income and other operating expenses are formed by revenues and expenses from re-invoicing.

Income from equity investments - controlled or controlling entity includes the revenues from the dividend declared by EPIF Investments a.s. in the amount of CZK 10,367,576 thousand, EP Power Europe, a.s. in the amount of CZK 2,812,631 thousand, SEDILAS ENTERPRISES LIMITED in the amount of CZK 1,277 thousand, and revenues from the sale of equity investments (see Note 6) in the amount of CZK 448,933 thousand.

Adjustments to values and provisions relating to financial activities in 2021 and 2020 represent provisions to equity investments and receivables described in Notes 6 and 8.

Other financial expenses and other financial income primarily include foreign exchange losses, losses from revaluation and settlement of derivatives and banking fees, and foreign exchange gains, gains from revaluation and settlement of derivatives and revenues from guarantees. In addition to the above, other financial expenses also include income (expenses) related to the assignment of a receivable.

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

13. Related parties (except for balances presented above)

In compliance with Section 39b (8) of Decree No. 500/2002 Coll., the Company does not disclose transactions (revenues and expenses) between related entities within EPH Group that are wholly owned by the Company.

In addition to revenues from re-invoicing and revenues/incomes or expenses described in detail in the other notes above, the Company reported the following income from related parties which are not fully owned by the Company:

(in CZK thousand)

	Revenues 2021	Expenses 2021	Revenues 2020	Expenses 2020
Interest income / expenses	24 774	115	246 202	353
Other operating income / expenses	-	-	-	-
Other financial income / expenses	3 218	-	3 046	-
Total	**27 992**	**115**	**249 248**	**353**

14. Employees and executives

As of 31 December 2021, the Company had 31 employees (30 employees in 2020). The members of the Board of Directors and the Supervisory Board received no remuneration or loans in relation to their function.

Social security and health insurance liabilities are not overdue.

15. Fees payable to statutory auditors

This information is disclosed in the notes to the consolidated financial statements as of and for the year ended 31 December 2021.

16. Income tax

A CURRENT TAX

In 2021, the Company created a reserve of CZK 340,453 thousand.

In 2020, the Company created no income tax reserve.

As of 31 December 2020, the difference between income tax liability for 2019 and the release of the reserve created as of 31 December 2019 is in the negative amount of CZK 4,833 thousand.

17. Significant off-balance sheet transactions

The Company has received commitments from bank institutions of up to CZK 28,528 thousand (CZK 4,289,359 thousand as of 31 December 2020).

The Company recognises receivables in the amount of CZK 42,958,343 thousand (CZK 26,138,358 thousand as of 31 December 2020) and payables in the amount of CZK 42,717,413 thousand (CZK 25,832,072 thousand as of 31 December 2020) related to currency derivatives presented in off-balance sheet accounts.

The Company guarantees all liabilities related to bonds issued by EPH Financing CZ, a.s. The bonds issued as of 31 December 2021 amounted to CZK 10,101,000 thousand (CZK 10,101,000 thousand as of 31 December 2020).

As the parent company of the whole EPH Group, the Company issues guarantees for the liabilities of its subsidiaries up to the cumulated amount of CZK 60,653,678 thousand (CZK 38,158,272 thousand as of 31 December 2020) in favour of third-party beneficiaries.

In March 2022, Lausitz Energie Kraftwerke AG (EPH has an indirect 50% ownership interest in the company) reached an agreement with its major trading partner to limit the liquidity effects of securing trading positions due to electricity sold and purchased emission allowances. Part of this agreement to address the liquidity impact of reinsurance was the promise to issue guarantees from parent companies, which are applicable subject to specific conditions. From the point of view of EPH, up to EUR 1,100 million can be paid.

18. Material subsequent event

MILITARY CONFLICT IN UKRAINE

In connection with the ongoing military invasion of Ukraine and related sanctions against the Russian Federation, the Company has identified risks and taken relevant measures to reduce the impact on its business. Based on the available information and current developments, the Company constantly analyzes the entire situation and evaluates its impact on both the Company and its subsidiaries. The Company's management has considered the potential effects of this situation on its activities and business and concluded that they do not have a material effect on the financial statements for 2021 or the going concern assumption in 2022. However, it cannot be ruled out that further negative developments will occur in this situation, which in turn may have a material adverse effect on the Company, its business, financial condition, results, cash flows and prospects in general.

Apart from the events described above and in other notes to these financial statements, the Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as of 31 December 2021.

Prepared on: 31 March 2022

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors