

**EP Power Europe, a.s.**

**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2020**

# **CONTENT**

FINANCIAL HIGHLIGHTS OF THE YEAR

INTRODUCTION BY THE VICE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

COMBINED REVIEW OF OPERATIONS

1.1 Market development

1.2 Major events

1.3 Business performance

1.4 Other Information

MANAGEMENT STATEMENT

REPORT ON RELATIONS

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

STATUTORY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

## **FINANCIAL HIGHLIGHTS OF THE YEAR**

		2020	2019 restated*	2018
<b>INCOME STATEMENT</b>				
Sales	€ million	5,277	5,106	3,969
Gross profit	€ million	1,590	1,325	978
Earnings before interest, taxes, depreciation and amortization (EBITDA) <sup>1</sup>	€ million	522	427	327
Adjusted EBITDA <sup>2</sup>	€ million	555	442	334
Earnings before interest and tax (EBIT)	€ million	223	185	103
Net financial result	€ million	(25)	(37)	(12)
Profit before tax	€ million	301	283	70
Profit for the year	€ million	248	252	40
<b>BALANCE SHEET</b>				
Balance sheet total	€ million	6,134	6,214	4,574
Equity total	€ million	1,594	1,494	1,424
Net working capital <sup>8</sup>	€ million	325	231	209
Net financial debt <sup>3</sup>	€ million	439	814	746
Net financial debt <sup>3</sup> (excl. loans and borrowings provided by EPH <sup>5</sup> )	€ million	34	262	332
<b>CASH FLOW STATEMENT</b>				
Cash flow from operating activities	€ million	798	662	402
Cash flow from investing activities	€ million	(469)	(628)	(512)
Cash flow from financing activities	€ million	(238)	76	290
Change in cash and cash equivalents	€ million	91	110	180
Cash and cash equivalents	€ million	562	472	373
Capital expenditures (CAPEX)	€ million	(156)	(143)	(179)
Tax paid	€ million	(41)	(17)	(55)
<b>RATIOS</b>				
EBITDA margin <sup>4</sup>	%	9.89%	8.36%	8.24%
Net leverage <sup>5</sup>	X	0.8x	1.9x	2.3x
Net leverage <sup>5</sup> (excl. loans and borrowings provided by EPH <sup>6</sup> )	%	<0.1x	0.6x	1.0x
Cash conversion <sup>7</sup>	%	62.3%	62.5%	28.4%
<b>Operating KPIs</b>				
Average number of employees	#	4,154	4,225	3,622
Net installed capacity - power	MW	10,626	11,807	10,078
Net power production	TWh	34.7	30.1	24.4
Emissions intensity	t CO <sub>2</sub> /GWh	457	462	527

\* 2019 financials were restated for more details see Consolidated financial statements for 2020

<sup>1</sup> Profit (loss) from operations less Depreciation and amortisation and Negative goodwill (if any).

<sup>2</sup> Adjusted EBITDA: Profit (loss) from operations less Depreciation and amortisation and Negative goodwill (if any) further adjusted for selected non-cash and/or non-recurring items

<sup>3</sup> Net financial debt = Loans and borrowings – Cash and cash equivalents

<sup>4</sup> EBITDA margin = EBITDA / Sales

<sup>5</sup> Net leverage = Net financial debt / EBITDA. Net financial debt used for calculation of Net leverage in 2018 is impacted by the major investment project in Lynemouth, whereas the 2018 EBITDA does not yet fully capture earnings associated with this project.

<sup>6</sup> Energetický a průmyslový holding, a.s. („EPH“) is a parent company of EP Power Europe, a.s.

<sup>7</sup> Cash conversion = (EBITDA – CAPEX – Tax paid) / EBITDA

<sup>8</sup> Net working capital = Trade receivables and other assets + Inventories + Extracted minerals and mineral products + Prepayments and other deferrals + current income tax – trade payables and other liabilities – contracted liabilities – deferred income – current income tax liabilities

**INTRODUCTION BY THE VICE CHAIRMAN OF THE BOARD OF  
DIRECTORS AND CEO**

Dear shareholders, business partners, colleagues, and friends,

It is my great pleasure to introduce you to the 2020 annual report of EP Power Europe, a.s. (“EPPE” or together with its subsidiaries the “Group”). Despite the unprecedented challenges impacting all markets on which the Group operates, EPPE had a successful year. The Group was able to quickly adapt to changing market conditions and succeeded in delivering on its mission – meeting the energy needs of its customers by delivering reliable, affordable electricity as well as flexible capacity.

Financially, the year 2020 posts outstanding results which will act as a catalyst in our conversion towards more environmentally conscious future. Sales of the Group reached EUR 5,277 million, a decent 3% increase compared to 2019, with Adjusted EBITDA<sup>1</sup> of the Group increasing by 26% to EUR 555 million. The cash generated from operating activities amounted to EUR 798 million, EUR 136 million more than in 2019. Achieved results pinpoint the robustness and diversified character of operated assets and prove the Group’s resilience even in the extremely challenging environment of the global pandemia.

At the same time, mindful of our environmental commitments, the Group further continued its portfolio transformation towards a more flexible and climate-friendly asset base. Notably, we have closed our lignite operations in Helmstedter Revier by decommissioning 352MW of lignite power plant Buschhaus in September 2020. Further, we have accelerated discussions about closure of additional German lignite power plant Deuben with a net installed capacity of 67MW which we will mothball in 2021. We also lead a number of advanced dialogues in France and Germany about taking even more hard coal capacity offline in near future. Our entire French hard coal fleet totalling 1,190MW will be disconnected from the grid latest in 2022. In April 2021, we succeeded in an auction with our German hard coal power station Mehrum (690MW) which will be placed into capacity reserve and only run for grid stability needs till its final decommissioning in early December 2021.

Nevertheless, our efforts not only concentrate on decommissioning the existing CO<sub>2</sub> intensive sources. We are committed to meet the energy needs of our customers by pursuing new projects while securing stability of the network and limiting our CO<sub>2</sub> footprint. For example, in Tavazzano, Italy, we have started to construct a brand new highly efficient gas-fired power station (app. 790MW) which will benefit from a 15-year, in 2019 awarded, capacity contract once going online in late 2023. In Kilroot, Northern Ireland, we have secured 10-year capacity contracts supporting grid stability; for that purpose, we plan to build two brand new modern gas units (app. 700MW) going online in 2023, while decommissioning the existing hard coal and oil assets (513MW). The new Kilroot gas units are the first step towards construction of the Kilroot Energy Park which aims to play its part in tackling climate change goals. In Gardanne, France, we own a biomass power plant (150MW) which we expect to connect in 2021. Intensive preparatory and testing works are currently underway. Once operational, the Gardanne biomass plant will be a testimony to our strategy of providing security of supply through renewable sources.

At the existing assets, we focus on further optimization and improving overall efficiency and environmental impact. In Lynemouth, where we have operated our biomass power station (407MW) for a second year, we have reached a particularly pleasing gross efficiency close to 40% which represents a market-leading efficiency level for a comparable technology. Similar campaigns have been progressing at other plants we operate.

As a result of our investment programme and highly diligent operations, we have further reduced our CO<sub>2</sub> footprint per GWh produced - one of our central KPIs – by 5 tons CO<sub>2</sub>/GWh (or 1%) comparing to the previous year. More notably, speaking long term, our continuous environmental efforts have brought this key indicator down by massive 35% since 2016 when EPPE was established. Also, the total installed capacity of EPPE reached 10.6 GW in 2020 and we are proud that 84% of net power produced in 2020 was from either zero or low carbon-intensive sources. While the Group has been progressing towards being ranked as one of the most important power producers in the EU, we intend to continue with our

---

<sup>1</sup> Adjusted EBITDA represents Operating profit before Depreciation & Amortization and Negative goodwill (if any) further adjusted for selected non-cash and non-recurring items.

strategy of continuous CO<sub>2</sub> footprint reduction without compromising the security of supply for our customers or our overall performance. We always consider the environmental, social, and economic aspects of our operations and do our utmost to maintain a balanced approach to our decision making, reflecting the needs of the regions, communities, and countries we operate in.

On a personal note, I would like to express my honest thanks to our employees for their commitment and hard work. The way we managed to face the challenges of the pandemics cannot be taken for granted and I am glad to have this opportunity to acknowledge the dedication of our entire team which essentially contributed to the results the Group delivered. I am proud of what we have accomplished together, and I am grateful to all of you. Let me wish that the current situation passes soon, and we can safely return to our normal lives and business as usual.

Sincerely,



.....  
Jan Špringl  
*Vice-chairman of the Board of Directors*  
*Chief Executive Officer*

## **COMBINED REVIEW OF OPERATIONS**



## 1.1 Market development

### *Macroeconomic developments*

The global economy suffered severely during 2020, with the COVID-19 pandemic and the counter measures against it being the main cause of it. The World Bank estimates that the global GDP has shrunk by 4.3%, which is still 0.9 points less than what they expected by June. In developed economies, the contraction has been especially severe, with the Euro area suffering a GDP reduction of 7.4% while the United States were able to reduce the recession to a 3.6% GDP loss, according to World Bank estimates.

In Europe, the momentum of economic growth seen during the third quarter of 2020 was challenged by an increasing number of COVID-19 cases, and after national governments imposed partial lockdown measures in October, a slowdown in activity comparable to the one seen at the beginning of the pandemic impacted growth severely in the last quarter. This rebound in cases delayed the economy recovery, leaving a yearly recession of 4.9% in Germany, 8.2% in France, 8.9% in Italy, and down to 9.9% in the United Kingdom, representing the largest annual falls since World War II in the continent.

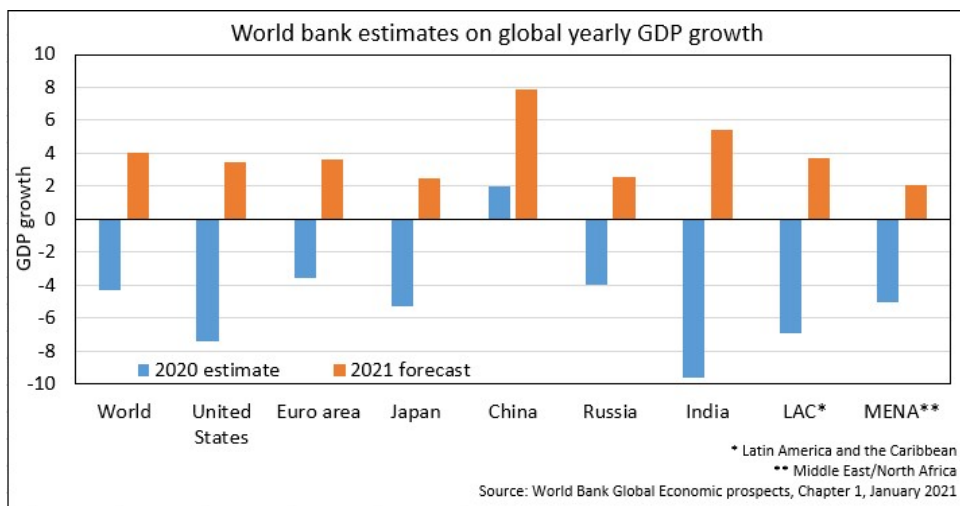


Figure 1: World Bank estimates on global yearly GDP growth

In response to the negative impact derived from the pandemic, national governments have eased policies and taken massive fiscal and monetary stimulation measures. The initial monetary actions taken by the United States Federal Reserve, with three consecutive rate cuts of 25 basis points between July and October, was followed by the European Central Bank in September resuming both quantitative and credit easing and cutting interest rates as well. These actions had a variety of effects, with the first one of them being a reduction of borrowing costs and localized demand boost that helped mitigate the negative effect of the pandemic in demand. However, this also increased prices for many real and financial assets, with the main stock market indexes closing the year with substantial gains.

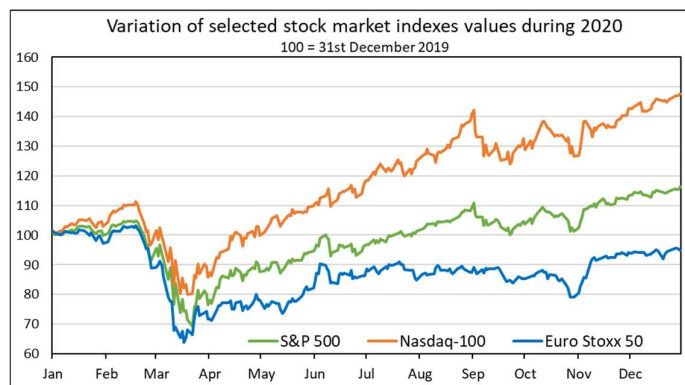


Figure 2: Variation of selected stock

## *Energy developments*

### Electricity consumption

Electricity consumption of European Union and United Kingdom (EU+1) in 2020 was at 3,102 TWh the lowest since 2001. The year-on-year decrease of 4% (Figure 4) was the most significant change since 2009. Consumption fell most notably in Cyprus and Italy (-6%), while considerable decrease was seen also across major markets in France (-5%), UK (-5%) and Germany (-4%). The only countries spared of slump in electricity demand were Ireland (+1%), Denmark (+1%), Netherlands (0%) and Malta (0%).

This low level of consumption resulted mainly from weakening of the economy due to the coronavirus and the lockdowns between March and August. Drop in EU GDP by more than 6% dragged down also energy demand, industrial production, and energy consumption in transportation in terms of kilometres travelled. The biggest demand drops were recorded in April in countries that were most hit by the coronavirus pandemic: Italy (-21%), France (-19%) and Spain (-17%). However, the overall yearly decrease was limited as all three countries experienced recovery of demand at the end of the year with December consumption higher than in 2019.

Weather in 2020 broke yet another record as it was the warmest year in Europe ever. The average temperature was 1.6°C above the 1981-2010 reference and 0.4°C above 2019, the previous warmest year in Europe. Winter 2019/2020 and autumn 2020 were also the warmest respective seasons recorded. Furthermore, a significant heatwave occurred in western Europe during late July and early August. The impact on power consumption due to rising temperatures across all seasons tends to cancel out with less heating demand in winter but higher offtake for cooling appliances during summer.

### Conventional electricity production

The amount of electricity produced in EU+1 state during 2020 was 3,065 TWh (Figure 3), dropping by 4% compared to the previous year. Lower demand in the wake of coronavirus impact took its toll on fossil and nuclear power generation, the losses of which outweighed the increase in renewable production. Power generation from conventional sources fell by 11%, providing a total of 61.4% of all electricity produced, decreasing its share annually by more than 4%. The decrease was recorded in all branches of conventional production. While the proportion of gas in the power mix declined only marginally, both coal and nuclear shares decreased by about 2% on year.

Hard coal and lignite-fired power plants produced annually 22% (-48 TWh) and 18% (-44 TWh) less electricity than in 2019, respectively (Figure 4). Absolute coal generation fell most notably in Germany (-37 TWh), Poland (-9 TWh) and the Netherlands (-8 TWh), while decreasing also in almost every other country utilizing coal. Only about a half of the coal collapse is attributable to additions in wind and solar generation while a half is due to the drop in the power demand. Should the 2021 demand recover, wind and solar would need to rise faster to sustain the recent fall in coal. In order to meet the EU's 55% emissions reduction target, coal would need to be almost eliminated from the power mix by 2030, according to the European Commission's impact assessment.

Electricity production from gas fell by almost 6% (-41 TWh) in 2020. The plunge in generation from fossil fuels was mostly due to falling coal as low gas and robust carbon prices resulted in gas being the cheapest means of fossil generation. For the first time, variable costs of gas-fired generation outperformed those of lignite in some months. Gas generation suffered the most amid the demand decimated by coronavirus in countries with high share of gas in the national power mix: UK (-20 TWh), Spain (-16 TWh) and Italy (-12 TWh). Several countries managed to increase their gas generation, with the greatest rise seen in the Netherlands (+3 TWh), Poland (+2 TWh) and Greece (+2 TWh). Despite the recent fall, gas is still 14% higher than in 2015, meaning that renewables have not yet started to significantly replace gas-fired electricity production in any country.

Nuclear power generation dropped by a record 10% (-86 TWh) in 2020. The decrease was led by France (-44 TWh) suffering numerous EDF outages (Figure 5), followed by Sweden (-17 TWh) and Germany (-11 TWh) with permanent closures of some units at the end of 2019. The downfall of nuclear generation

accelerates along with the phase-out plans in some countries: Germany (2022), Belgium (2025), Spain (2030) and France (reduction to 50% of the electricity mix by 2035).

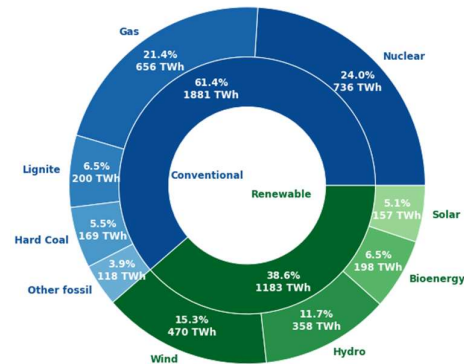


Figure 3: Shares of individual means of power generation in the electricity mix of the EU & UK. Source: Agora Energiewende.

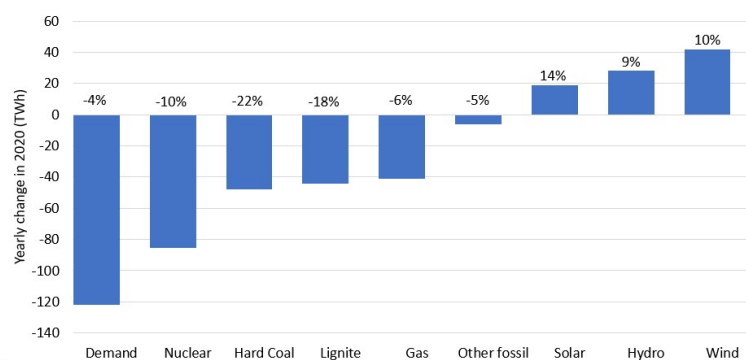


Figure 4: Annual change in the European electricity demand and generation per production type. Source: Agora Energiewende.

### Renewable electricity production

Renewable sources supplied 1,184 TWh of electricity in EU+1 in 2020, equivalent to a 38.6% share (Figure 3) of the power mix which increased annually by 4%. An unprecedented increase in the share was only partially supported by additions in the wind and solar production as many conventional sources dropped out of the merit order due to the falling demand during the coronavirus pandemic. As a result, renewables overtook fossil-fired generation (37.3%) for the first time in history. Rise in the total renewable production was achieved through increments in all branches: wind (+10%), solar (+14%) and hydro generation (+9%).

Wind power output increased by 42 TWh, led by UK (+9 TWh), Germany (+9 TWh) and Sweden (+7 TWh). Solar power generation recorded biggest yearly growth since 2012 by 19 TWh. As in the previous years, most of the increase is thanks to only few countries (Figure 5): Spain (+6 TWh), Germany (+5 TWh) and the Netherlands (+3 TWh). For the first time ever, France joined Denmark and Sweden when its wind and solar generation overtook fossil. However, the additions in wind and solar production vary greatly throughout Europe as many countries, some with excellent renewable conditions, have added hardly any capacity since 2015: Portugal, Romania, Austria, Italy, Czech Republic, Slovakia, and Bulgaria. To meet the new green deal target, EU wind and solar generation needs to almost triple by 2030, amounting to an annual production growth of 100 TWh.

Hydro generation recovered in 2020 by 28 TWh to slightly above the 2018 levels. The production generally increased across the continent with the most significant rise seen in Sweden (+8 TWh), Spain (+7 TWh) and France (+5 TWh). Only few countries recorded a modest decline in hydro generation,

notably Germany (-1 TWh) and Greece (-0.5 TWh). Although climbing up, increase in hydro generation was mostly driven by precipitation changes as new hydro capacity installations are close to zero.

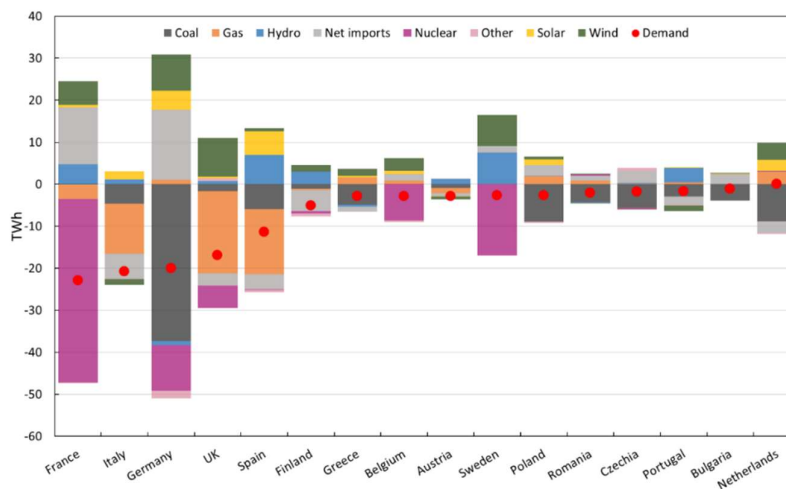


Figure 5: Annual country-wise changes in the electricity consumption and generation. Source: Agora Energiewende

### Power prices

Average wholesale electricity prices plunged in all EU+1 country in 2020 compared to previous year due to the low demand caused by the coronavirus and lower fuel prices (Figure 6). A persistently low gas price boosted electricity generation from natural gas. Meanwhile, prices for carbon emission certificates recovered quickly after the coronavirus-induced price slide in spring, providing gas power plants a competitive advantage over coal-fired ones. The price drop was further intensified by higher power generation from renewable sources across Europe which reduced the residual load even more. This effect could be observed also in lower German exports, for instance, which decreased by 8% (6 TWh). Overall, the effect of lower electricity prices is likely to persist, especially in countries relying less on fossil fuels and with high shares of renewable power available or in construction.

Average yearly wholesale electricity prices in Germany and France dropped roughly by 7 €/MWh in 2020 to 30 and 32 €/MWh, respectively. A similar decrease of 7 €/MWh was seen in central European countries: Austria (33 €/MWh), Czech Republic (34 €/MWh), Slovakia (34 €/MWh), Poland (47 €/MWh). Prices fell deeper in countries affected more severely by the pandemic with Spanish price at 34 (-14) and Italian at 39 (-13) €/MWh. In some European countries, the price drop in 2020 was even more noticeable. In Norway, the average price was less than 9 €/MWh, down by 30 €/MWh year-on-year. A similar situation occurred in other Nordic countries with Swedish and Finnish prices being cheaper by 20 €/MWh.

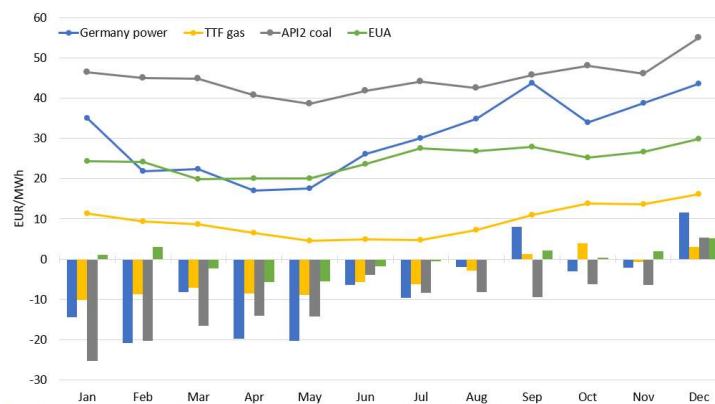


Figure 6: Commodity prices development in Europe. Points represent monthly-averaged spot prices of power and gas, month-ahead prices of coal and December-delivery prices of EUA. Bars show the year-on-year changes. Source: EEX, ICE

## Natural gas

Global gas market experienced the largest recorded drop in demand, with an estimated fall of 100 billion cubic meters (bcm) in 2020, 2.5% of the world gas demand. The main reason for this reduction is the global COVID-19 pandemic, with an exceptionally mild winter at the beginning of the year also contributing to this reduction. Most of the impact was concentrated in the first half of the year, with a 4% drop in world demand that was afterwards eased with the progressive lift of the restrictions to fight the pandemic in the third quarter and a stronger recovery helped by the colder temperatures in December 2020.

According to the International Energy Agency, gas global demand will grow by 2.8% in 2021, which would set demand at 2019 levels, with emerging markets leading this recovery, and developed countries having a slower rebound that would put some of them even below 2019 levels. This recovery would face several risks, such as fuel switching, slow industrial rebound and potential mild weather that would reduce consumption.

The combination of a mild Winter in early 2020 with the gas demand crisis derived from the COVID-19 pandemic was also noticeable in the gas storages (Figure 7). The first half of the year recorded storage levels at record-high levels that did not reach the already-high 2019 values until August, when the ease in measures to fight the pandemic along with temperatures lower than the previous year helped to increase gas demand.

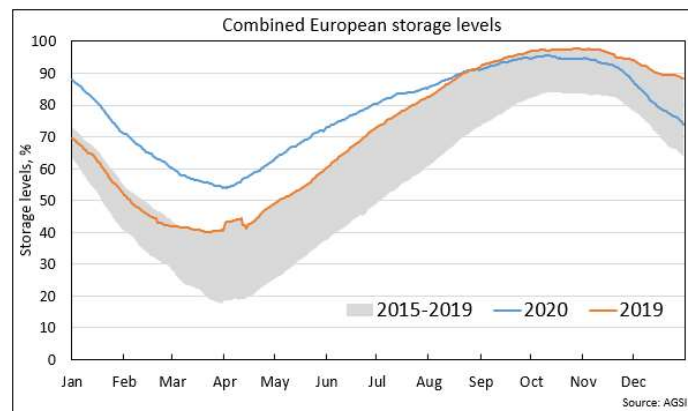


Figure 7: Combined European Storages Levels

This situation caused greater-than-usual volatilities in global gas markets, with prices collapsing in the first half of 2020 under the threat of sharp drops in demand. By late May, TTF spot prices were trading at equivalent levels, below 4 EUR/MWh, and both Henry Hub and Asian LNG spot prices traded below 2 USD/MMBtu, approximately equivalent to the ones of TTF. In United States, Henry Hub averaged 1.8 USD/MMBtu in the first half of the year, the lowest price in record since 1995.

However, gas prices (Figure 8) rebounded in the third quarter of the year after COVID-related measures were eased and demand recovered. TTF prices escalated to close the year at almost 30 EUR/MWh, and Asian LNG spot prices traded above 11 USD/MMBtu, so above 45 EUR/MWh. These large price swings spiked volatilities due to the uncertainty along the year, with both Henry Hub and TTF averaging 65% volatility on month-ahead, the second-highest levels for both since 2008.

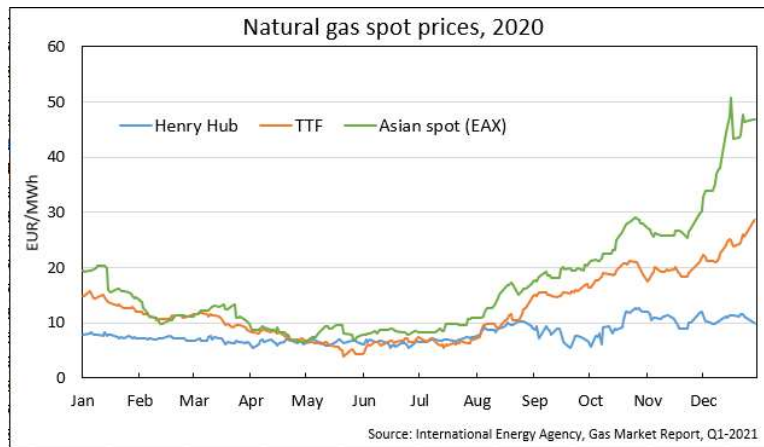


Figure 8: Worldwide Natural Gas Spot Prices

## LNG

The Liquefied Natural Gas (LNG) global market continued to gain in liquidity during 2020 despite the reduced demand. The rise in volumes of LNG traded reached 2% for the year according to IEA preliminary data, with volumes on spot and short-term basis growing in almost 8% and accounting for about 37% of global LNG trade, which is its highest share recorded. On the other hand, cargo cancellations affected the already- slackening long-term contracts, which declined in approximately 1.6% year-on-year.

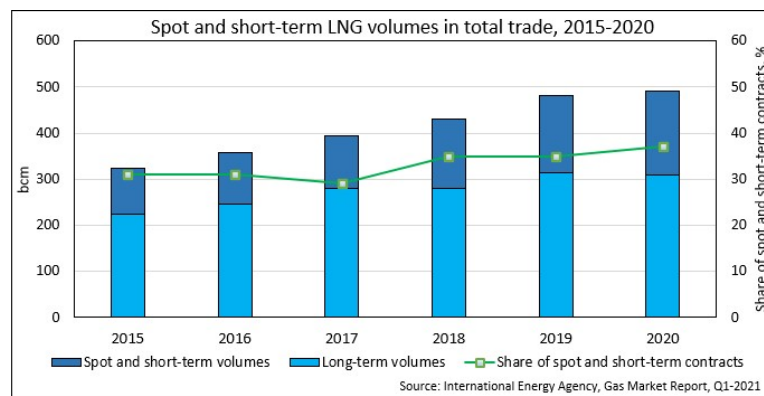


Figure 9: LNG Volumes traded

Traded volumes increased on all major regional gas hubs, with the United States Henry Hub volumes increasing over 15% year-on-year and the Dutch TTF reaching a 19% growth. Consequently, TTF reached 70% of total European gas trade share from the 66% in 2019, however still far from the Henry Hub levels.

Global LNG prices hit record-lows in early 2020, however they ended the year at six-month highs, partially due to a recovery in demand, especially in Asia, but also thanks to a cold Winter that spiked demand in the end of the year against a tightened supply.

The combination of excess of supply and lower global gas demand impacted severely in investment in liquefaction projects, which was almost entirely interrupted in 2020. This contrasts with the case of 2019, which recorded an all-time-high number of final investment decisions (FIDs) reaching almost 100 bcm of new liquefaction capacity approved (Figure 10). A similar situation happened on the gas exploration spending, which declined to 9 billion dollars in 2020, less than half of the 16 billion reached in 2019. The impact of this long investment pauses for the short and mid-term outlook in global gas markets is yet unknown.

On the other hand, the investment in import capacity remained rather strong during 2020, with about 194 bcm of regasification capacity under construction by the end of the year -most of it in Asia-, a 9% increase relative to 2019.

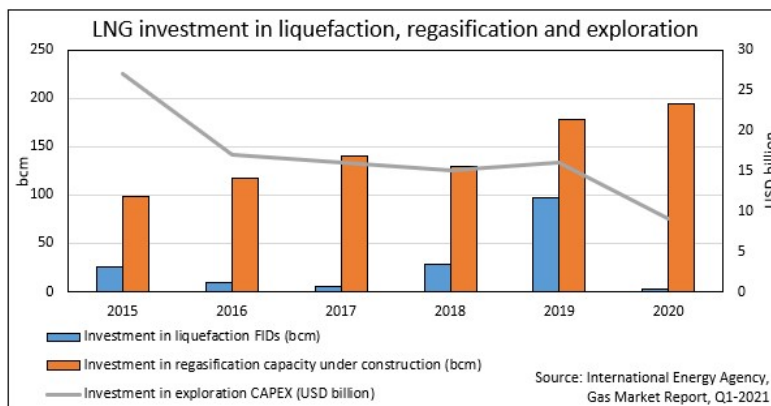


Figure 10: LNG Investment in liquefaction, regasification, and exploration

## Oil

2020 as a whole year has seen an unprecedented global oil demand drop estimated by IEA at the level of 8.8 mb/d. The global oil production showed a record fall of 6.6 mb/d in 2020, global refinery throughput was hit by a 7.3 mb/d drop in 2020.

Oil benchmark prices WTI and Brent entered the year 2020 at levels 61.18 \$/bbl and 66.25 \$/bbl respectively. The fall in demand combined with oversupplied market, in addition in combination with a price war between Saudi Arabia and Russia in March, led to a sharp fall in the price of oil. To help stabilize prices, in April OPEC+ agreed to cut total global output by 9.7 mb/d, the single largest output cut in history, equivalent to around 10% of global production. Without a demand, the world's biggest producers were running out of storage capacities to store the surplus supply. While all the US tanks were not full yet, third week of April the Cushing storage utilization was nearly 79% and the spare capacity reportedly fully leased out to producers and traders.

Negative oil futures prices were seen for the first time in April when NYMEX WTI settled at -37 \$/bbl on April 20, 2020, the day before the May contract expired. Negative oil prices were purely US issue thanks to combination of physical delivery in Cushing and storage utilization. The Brent crude May contract, which has already rolled to the June contract, settled 8.9% lower at \$25.57 /bbl on April 20, 2020.

The downturn in US crude stocks was confirmed during May, fears about lack of (Cushing) storage capacity disappeared. The gradual exit from lockdown in most of advanced economies has allowed a rebound in global activity, but the pandemic kept spreading in many emerging countries and risks of a second wave remained significant in the US. Global oil supply fell in June to a nine-year low of 86.9 mb/d thanks to OPEC+ cuts and steep declines from other producers, led by the United States and Canada. In autumn there was an ongoing downward pressure due to increasing crude US inventories, higher than expected Libyan production and at the end of the month also due to renewed lockdowns in Europe and the US. In the fourth quarter of 2020 the trajectory of energy price recovery continued smoothly, accelerating towards the end of the quarter amid positive news on the successful start of vaccination in several countries. WTI and Brent closed the year 2020 with 48.52 \$/bbl and 51.8 \$/bbl respectively, both approx. 20% down from the beginning of 2020.



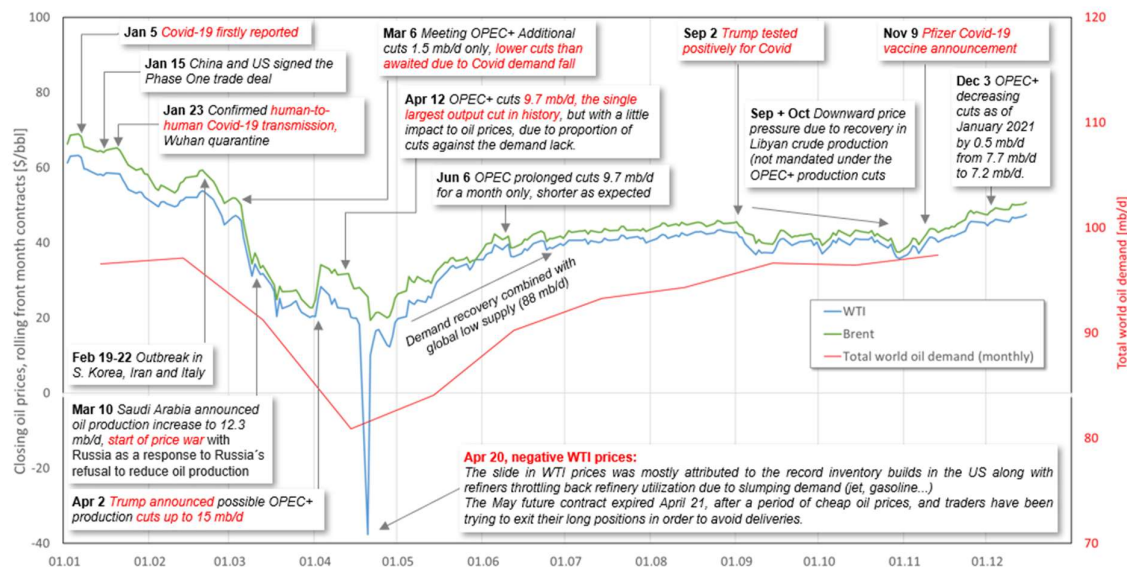


Figure 11: Closing prices oil, OPEC decisions, milestones, oil demand

## Coal

Thermal coal markets were in 2020 battered by the sudden drop in demand related to the Covid-outbreak.

At the beginning of March, the impact of the country-wide lockdown in China led to a daily fall in power demand of up to 34%. From mid-March to May, there was a similar decline in Europe with falls of up to 25%. India also had a significant fall of up to 25% in quarterly coal generation in Q2 compared to a year ago. India's lockdowns began in March and the phased reopening began in June.

The fall in oil price enabled coal producers additional savings in ocean freight rates from lower fuel costs plus reduced demand for bulk carriers. Coupled with FX changes from a stronger US dollar, unhedged thermal coal exporters across Russia, South Africa, Australia, and Indonesia were seeing total cost savings of between 8-12 \$/t at that time.

On the other hand, reduced demand and low oil prices resulted in a collapse in global LNG prices. With cheap LNG imports and high storage, the European benchmark natural gas price, TTF, fell below 2\$/mmbtu in May leading to significant coal generation displacement in Europe. Coal-fired generation was additionally challenged for a brief period in North Asia as the sustained oil price weakness dragged down the oil-linked contract gas prices in Japan and South Korea in the late summer – as contracts have a 3-6-month lag.

The world key players also faced coal production disruptions due to the beginning widespread bushfires in Australia, followed by lockdowns in China in January 2020 and in other countries from March and concluded with historic 91-day strike at the Colombia's largest mine in autumn 2020.

The reduction in global power resulted in a 5% decline in global thermal coal demand in 2020. As China and India sought to protect domestic miners, the fall in seaborne thermal coal imports was more pronounced, falling by 10%.

## EUA

The average price of the European Union Allowances (EUA) ended at level 24.83 EUR/t in 2020, 9 cents under the average price from 2019. At the first glance, the price did not follow the increase from previous year (9 EUR/mt increase YoY), however, it was mostly caused due to pandemic COVID-19. After the huge price drop in March (ca. -35% in one week), the EUA price gradually increased throughout the year to its end-of-the-year price at 32.72 EUR/t.



There were several important events that affected the EUA price this year. The most important event affecting whole energy industry took place at the end of the year. European Commission agreed on the 55% emissions reduction by the end of the year 2030 compared to 1990. According to the EC the usage of coal is projected to decrease by 70% compared to 2015, with renewable electricity set to reach 60% of electricity produced by 2030. On top of that EC started to discuss the implementation of carbon border tax by 2023.

New goal of 55% emissions cut, together with the pressure of MSR mechanism (332m EUAs should be removed from ETS system between Sep 2020 and Aug 2021) and recovery of global economy from the pandemic, was a bullish driver for the price at the end of the year.

Prices throughout the year, however, reacted to several smaller events including Pfizer vaccine introduction (important step in context of beginning of the end of the pandemic), US exiting the Paris Agreement or cold winter expectations.

During this year hedge funds played an important role in ETS market. Since June they doubled their market positions YoY that had a great effect on the EUA prices. Even though their market share was only 7% by the end of 2020, the increase in their net positions by 25%, raised the EUA prices by 10%. For the following years we can expect higher amounts of speculative trading in this area.

Renewable power plant outputs were higher than usual during the year, especially in wind production, with an increase of 37.5 TWh and with solar producing 23 TWh more than the previous year, displacing fossil power producers on the supply-side. Traditional power plants also contributed to the decrease in the emission rate, mostly due to pandemic. Both lignite and coal power plants decreased their production by more than 47 TWh and 40 TWh, respectively, that was almost 20% reduction YoY for both, whereas gas power plants decreased their production by 37 TWh which represents more than 6% decrease.

#### *Political developments and global trends*

##### Brexit

On January 31<sup>st</sup>, 2020, the United Kingdom membership with the European Union came to an end. That day, and 11-month transition period begun and kept the United Kingdom under certain regulations such as the customs union and the single market. This means that, in practice, the United Kingdom continued to apply the previous European Union rules despite they lost their voting rights. This transition was not extended, and the separation was effective as of January 1<sup>st</sup>, 2021 after a Trade and Cooperation Agreement (TCA) agreed by both parties on December 24<sup>th</sup>, 2020.

The execution of Brexit does not affect the commitment from either of the parties on climate change goals as stated in the Trade and Cooperation Agreement regarding greenhouse gases emissions and ozone depleting substances. Chapter 8 of the TCA, which refers to trade and sustainable development, binds both parties to effectively implement the United Nations Framework Convention on Climate Change and the Paris Agreement goal of limiting the global temperature increase to 1.5 °C.

The United Kingdom is no longer a member of the EU Emissions Trading Scheme (EU ETS), however it remained within its framework during the 11-month extension period and still is obligated to comply with its rules for the year 2020, obligations that end when delivering emissions allowances in April 2021. Starting on January 1<sup>st</sup>, 2021, the United Kingdom implemented its own UK Emissions Trading Scheme (UK ETS). Although no agreement was considered in the Trade and Cooperation agreement to link both carbon markets, the document invites both parties to explore this possibility on its seventh chapter by giving “serious consideration to linking their respective carbon pricing systems in a way that preserves the integrity of these systems and provides for the possibility to increase their effectiveness”.

In addition to leaving the European Union, the United Kingdom has also withdrawn from the European Atomic Energy Community (Euratom) and the associated treaty (the Euratom Treaty). This means that, starting in January 2021, the Office for Nuclear Regulation (ONR) has assumed responsibility for overseeing nuclear safeguarding arrangements in the UK.

### Germany coal phase-out

Eighteen months after the multi-stakeholder coal commission recommended to put an end to coal and lignite-fired power generation in Germany by 2038, the German parliament (Bundestag) adopted the country's coal exit law in July 2020. The system chosen to decide in which order the plants would cease their operations is a set of coal capacity closure auctions, where plant owners can bid to be compensated in return for retiring their facilities. In December 2020, a set of three hard-coal plants won the first auction relative to hard-coal plants, meaning they will have to close by 2030 the latest. Other three auctions were scheduled to take place during the year 2021.

### 2019–20 global coronavirus pandemic

The severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was firstly identified in December 2019 in Wuhan, China. The World Health Organization declared the outbreak a Public Health Emergency of International Concern in January 2020 and a pandemic in March 2020. China reported until the end of February 2020 nearly 80 000 cases and throughout the end of 2020 slightly over 87 000 cases in total.

As of 13 March 2020, when the number of new cases in Europe became greater than those in China, the World Health Organization (WHO) began to consider Europe the active centre of the pandemic. As of 18 March, more than 250 million people were in lockdown in Europe.

The first American case was reported on January 20, 2020 and President Donald Trump declared the U.S. outbreak a public health emergency on January 31. The initial U.S. response to the pandemic was otherwise slow, in terms of preparing the healthcare system, stopping other travel, and testing. The number of total cases rocketed during March 2020 from 75 cases to nearly 200 000 cases at the end of the month. More than 20.5 million confirmed cases have been reported in the United States in 2020, resulting in more than 360 000 deaths. COVID-19 became the third leading cause of death in the U.S. in 2020, behind heart disease and cancer.

During 2020 were worldwide infected nearly 84 million people of which died more than 1.8 million.

The change in the behaviour of passengers following the COVID-19 crisis, travel restrictions and the ensuing economic crisis have resulted in a dramatic drop in demand for airline services. According to IATA, passenger air transport measured as revenue passenger kilometre was down 90% year-on-year in April 2020 and still down 75% in August.

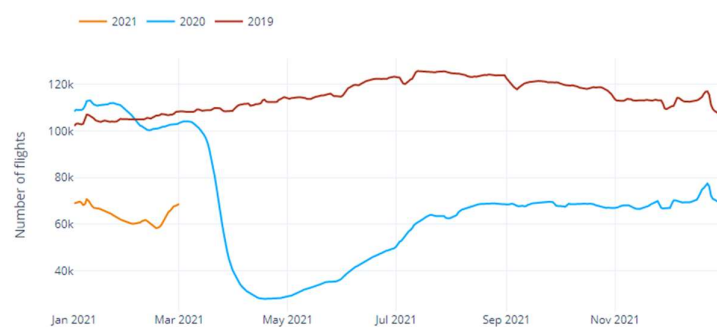


Figure 12: Number of commercial flights, 7-day moving average (source: EnergyScan, flightradar24)

The Covid-19 pandemic and resulting economic crisis had an impact on almost every aspect of how energy is produced, supplied, and consumed around the world in 2020. It drove down fossil fuel consumption for much of the year, whereas renewables and electric vehicles, two of the main building blocks of clean energy transitions, were largely immune.

As primary energy demand dropped nearly 4% in 2020, global energy-related CO<sub>2</sub> emissions fell by 5.8% according to the latest statistical data, the largest annual percentage decline since World War II.

Demand for fossil fuels was hardest hit in 2020 – especially oil, which plunged 8.6%, and coal, which dropped by 4%. Oil’s annual decline was its largest ever, accounting for more than half of the drop in global emissions.

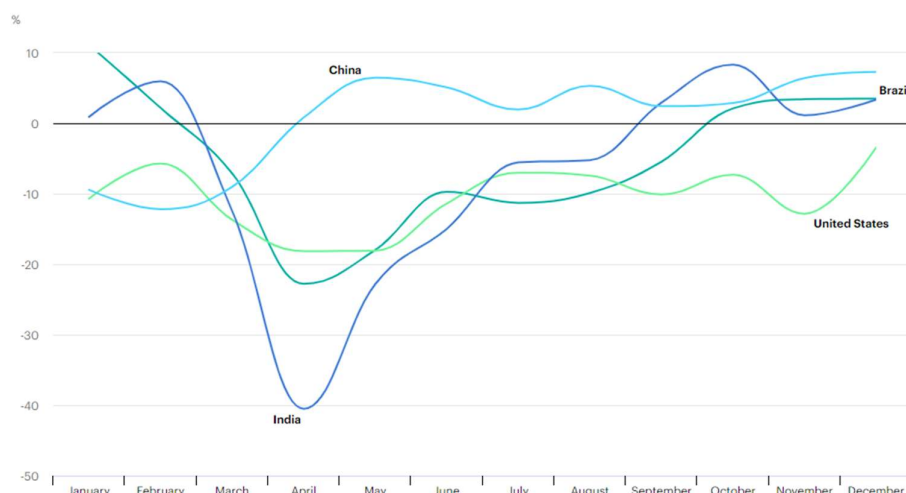


Figure 13: Monthly evolution of CO2 emissions in selected major economies, 2020 relative to 2019 (Source IEA)

Electricity demand in China dropped under lockdown in January, and more strongly in February by 11% year on year (weather corrected, because of significantly colder weather in 2019 than in 2020). As confinement measures were eased, electricity demand showed the first signs of recovery. From April 2020, electricity demand in China recovered completely and was back on pre Covid-19 trends. From August 2020 on, the weather corrected demand was systematically 6% higher than 2019 levels. By contrast the impact of the pandemic on advanced economies endured well beyond the initial lockdowns of March and April. After softening lockdown measures in Europe, the electricity demand in June and July stayed 10% and 5% (weather corrected) respectively below the 2019 level of the respective months. Economic activity remained at lower levels for much of the second half of the year and dropped again in the final months of 2020 as new restrictions on movement were imposed in many countries.

### US election and energy market implication

The inauguration of Joe Biden as president is the dawn of a new political era. Biden’s position on clean energy is as diametrically opposed to his predecessor.

Joe Biden, still as a president candidate, released a climate change plan in June 2019 with following goals:

- Achieve 100% clean energy and net-zero emissions by 2050, making a federal investment of \$1.7 trillion over the next ten years, leveraging additional private sector and state and local investments to total to more than \$5 trillion.
- If executed strategically, the response to climate change shall create more than 10 million well-paying jobs.
- To rally the rest of the world to meet the threat of climate change with U.S. lead an effort to get every major country to ramp up the ambition of their domestic climate targets.
- Acting against fossil fuel companies and other polluters who put profit over people and knowingly harm our environment and poison our communities’ air, land, and water, or conceal information regarding potential environmental and health risks.
- Fulfil the government’s obligation to workers and communities who powered our industrial revolution and subsequent decades of economic growth.

President Joe Biden has moved swiftly to address the climate crisis on his first day in office by re-entering the United States in the Paris Agreement, revoking the Keystone XL pipeline's permit, and ordering a moratorium on new oil and gas leases on federal land and water areas.

The \$ 8.0 billion Keystone XL pipeline project should create a shorter alternative route with a larger-diameter pipe to an existing pipeline connection from oil fields in Canada to U.S. refineries. The pipeline with a length of 1,947 km should have a capacity of. approx. 0.8 mb/d.

Biden is expected to convene an international climate summit in the spring to help accelerate emissions cuts and will probably submit a new US emissions reduction goal to help it reach net zero emissions by 2050. Joe Biden also agreed with the Canadian Prime Minister Justin Trudeau in February 2021 to work toward achieving net zero emissions by 2050.

## 1.2 Major events

### *Events in the reviewed fiscal year*

#### Acquisition of Humbly Grove gas storage

On 20 March 2020, EP UK Investments Limited acquired 100% shares in Humbly Grove Energy Limited and its subsidiary Humbly Grove Energy Service Limited in the United Kingdom from Petronas.

Humbly Grove owns and operates underground gas storage facilities (the Humbly Grove Oil Field) near Alton, Hampshire. The business operations are to be run in cooperation with EPUKI providing a long-term storage contract, NAFTA, a.s. (part of EPIF Group) acting as a technical advisor and EP Commodities, a.s. (part of EPPE Group) being the end customer of the gas storage trading on the market.

#### Other major events

The draft law presented by the German federal government in January 2020 (and in 2021 approved by the Parliament) for the phase-out of lignite currently called for the end of operations of the power plants Schkopau and Lippendorf, which receive lignite from Mibrag, in 2034 respectively 2035. For the lignite strip mine Schleenhain, which supplies the Lippendorf power plant, this leads to a maximum term through the end of 2035, thereby a further three-year reduction of operations as compared with the recommendations of the “Growth, Structural change and Employment” commission (KWSB) dated 26 January 2019. Because of the shorter period for accumulation of land masses as well as changes in the terminal positions of the strip mines, the future use of these parameters resulted in the need to record additional expenses, primarily for increase in the provision for the reclamation of the Schleenhain strip mine. The law also led to an increase in expenses recognized by the equity accounted investee LEAG for the same reasons.

In February 2020, EPPE as owner of around 42% stake in Schkopau power plant agreed with Uniper to acquire the remaining stake and take it over in October 2021. Schkopau is a 900 MW lignite-fired power plant in Saxony-Anhalt, which is an important component of Central Germany’s energy supply sourced primarily by lignite produced in the Profen open-cast mine belonging to Mibrag.

In the first quarter of 2020, EP Produzione S.P.A. extended repayment dates of its bilateral facilities in total amount of EUR 125 million.

On 29 April 2020, Cabinet of Ministers of Ukraine approved EP Ukraine, 90% subsidiary of EPPE, as a winner of PSAs (profit sharing agreements) for Grunivska and Okhtyrka field in Ukraine representing an opportunity to participate in dynamic development of Ukraine energy sector.

During the first quarter of 2020, in the UK, the capacity market auction three years ahead of delivery (“T-3 auction”) for the 2022/2023 delivery year and the T-4 auction for the 2023/2024 delivery year were held. Both EP Langage and South Humber Bank secured capacity agreements at higher-than-expected clearing prices, which shall enable success operation of both power plants in future. Further, on 7 May 2020, power plants Ballylumford, Kilroot and Tynagh succeeded also in the T-4 capacity market auction securing the extension of their contracts for the energy supplies into the transmission grid across the island of Ireland. Lastly, as the Group gained 10-year capacity contracts for Kilroot, it is enabling the decommissioning of the current coal- and oil-fired blocks and replacing them with a low-emission gas-fired units with installed capacity of around 700 MW latest in 2023.

### *Major events that occurred after the reporting date*

#### Acquisition of EP Resources CZ a.s.

On 8 January 2021, EPPE acquired 100% share in EP Resources CZ a.s. from its parent company Energetický a průmyslový holding, a.s.

### Acquisition of STEAG Power Minerals

On 10 March 2021, EPPE signed an agreement with STEAG GmbH for the purchase of the shares in STEAG Power Minerals GmbH (“SPM”). SPM 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.

Closing of acquisition took place on 31 May 2021.

### 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 was 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.

### 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 and 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 the 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 special purpose companies held by LEB and pledged in favour of the Free State of Saxony and federal state of Brandenburg.

To implement the statutorily required and contractually agreed regulations the LEK and the 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.

#### Other major events

In the first quarter of 2021, EP Produzione S.P.A. fully repaid its bilateral facilities due 2021 in total amount of EUR 225 million for which Group used a cash generated from operations.

In the first quarter of 2021, EP UK Finance Limited fully repaid its multi-facility agreement in total amount of around GBP 154 million using a combination of cash generated from operations and loan provided by shareholder.

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 EPPE, through its 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 will no longer be entitled to market the electricity generated in these plants after 8 December 2021. Subject to review by the transmission system operators and German Federal Network Agency, the Mehrum and Deuben power plants will be decommissioned and will substantially reduce the CO2 produced by EPPE power plant portfolio since then.

EP New Energies GmbH („EPNE“), the EPPE 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 EPPE Group's renewable energy strategy to transform real estate capabilities and former open-cast mining areas by implementing onshore wind energy and photovoltaics.

On 31 May 2021, Energetický a průmyslový holding, a.s. as sole shareholder provided a cash contribution of EUR 55 million to other capital funds of Company.

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 2020.

## 1.3 Business performance

### *Operational performance*

#### Performance of power generation assets

EPPE Group consolidates 10.6 GW of net installed power capacity in Germany, the UK, Ireland, France, and Italy (11.8 GW in 2019). These assets generated 34.7 TWh power (30.1 TWh in 2019). The 15% increase is driven by acquisitions in Ireland and in the UK during 2019, i.e., full year results were included in 2020 for the first time. On the other hand, decrease of generation in the French market was mainly driven by disposal of CCGT assets as of 30 September 2020 but also by market dynamics impacting production from conventional power plants.

KPI	Unit	2020	2019	2020-2019	%
<b>Net installed capacity - Electricity – Total</b>					
<b>EPPE Group</b>					
	<b>MW</b>				
Germany		795	1,147	(352)	(31%)
France		1,433	2,262	(830)	(37%)
Ireland		384	384	-	-%
UK		4,025	4,025	-	-%
Italy		3,989	3,989	-	-%
<b>Total – EPPE Group</b>		<b>10,626</b>	<b>11,807</b>	<b>(1,182)</b>	<b>(10%)</b>
KPI	Unit	2020	2019	2020-2019	%
<b>Net power production – Total</b>					
<b>EPPE Group</b>					
	<b>TWh</b>				
Germany		1.3	1.4	(0.1)	(2%)
France		1.7	2.4	(0.7)	(28%)
Ireland		1.7	0.3	1.4	430%
UK		15.1	11.0	4.1	37%
Italy		14.9	15.0	(0.1)	(>1%)
<b>Total – EPPE Group</b>		<b>34.7</b>	<b>30.1</b>	<b>4.6</b>	<b>15%</b>

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group operated with 8.8 GW of net installed power capacity (8.6 GW in 2019) and generated 43.7 TWh power (52.1 TWh in 2019). Major share of this is represented by LEAG Group.



## *Sustainability performance*

### Emissions and environmental protection activities

EPPE Group produced 16.0 million tons of CO<sub>2</sub> emissions (14.0 million tons in 2019) with intensity of 457 ton CO<sub>2</sub> / GWh (462 ton CO<sub>2</sub> / GWh in 2019). The overall increase in CO<sub>2</sub> emissions volume is partially driven by the acquisition of generation assets in France, the UK and Ireland in the course of 2019, which was partially compensated by a decline in power produced by German conventional assets. Comparing the produced CO<sub>2</sub> to the prior year that for the sake of comparability includes also acquired entities for the whole year, the CO<sub>2</sub> produced by the powerplants owned by EPPE decreased by 0.7 million tons or -4%.

KPI	Unit	2020	2019	2020-2019	%
<b>Direct GHG Emissions (Scope 1)</b>					
<b>EPPE Group</b>					
	million tons CO <sub>2</sub> eq.				
Germany		1.6	1.8	(0.2)	(10%)
France		0.6	0.8	(0.2)	(23%)
Ireland		0.7	0.1	0.6	575%
UK		5.7	3.7	2.0	53%
Italy		7.4	7.6	(0.2)	(3%)
<b>Total – EPPE Group</b>		<b>16.0</b>	<b>14.0</b>	<b>1.8</b>	<b>13%</b>

In 2020, the EPPE Group continued to be very active in the area of environmental protection. The companies within the EPPE Group continued to be operated in a manner ensuring their failure-free operation and high efficiency in producing electricity, 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 EPPE 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 EPPE 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, EPPE Group is subject to regulations that impose strict limits on emissions of carbon dioxide (CO<sub>2</sub>), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and solid dust particles emissions (SDP).

The EPPE Group will continue to maintain its compliance with these environmental legislative requirements and with the future requirements as well. In 2020, the Group invested considerable amounts into the restructuring of several plants to enhance their environmental profile as well as to be in line with regulation.

In the EPPE Group, the ISO 14001 is held by Biomasse Crotone S.p.A., Biomasse Italia S.p.A., Fusine Energia S.r.l., EP Ballylumford Limited, EP France S.A.S. (incl. its subsidiaries), EP Kilroot Limited, EP Langage Limited, EP SHB Limited, EP Produzione S.p.A. (incl. its subsidiaries), Lynemouth Power Limited and Tynagh Energy Limited.

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 or Mehrum and Deuben both planned for 2021) 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 and with further

investments to its efficiency in 2020. In 2019, EPPE, for example, acquired solid biomass-fired power plants Biomasse Italia and Biomasse Crotone based in Italy, with additional biomass-fired power plant in Provence. Through 2020, 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 2020, EUR 15 million were invested into ongoing recultivation of Schöningen South mine where operations had already been ceased. Some 100 specialized employees of the MIBRAG Group continued to work, supported by heavy equipment, on earthwork activities to achieve a final slope design according to the geotechnical requirements for later flooding of the open space of the mine and to avoid future landslides.

Humbly Grove, gas storage and oil extracting facility in the UK, undertook a review of how its three compressors available for extracting oil were collectively utilized during oil production and it was revealed that the average power consumption per barrel could be significantly reduced. It could be achieved by focusing on the efficient use of compressors, rather than on maximising output. Whilst total oil production was reduced by only 18%, the power consumption to produce a single barrel of oil was reduced by 58%. Based on an output of over 85,000 barrels during 2020, power consumption was reduced by more than 14 GWh.

In France, our 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 (or those to be closed in near future, specifically Provence 5 or Emile Huchet 6 sites).

The Group continues to invest into a new, environmentally more friendly, development. For example, with new 10-year capacity contracts awarded to Kilroot, our 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.

#### Environmental, Social and Governance matters

Throughout 2020, EPPE 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. As a key energy player, EPPE 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. EPPE 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. EPPE has already taken important steps in this direction by adding biomass to the energy mix – conversion of Lynemouth, acquisition of biomass plants in Italy and France. In addition, besides previously closed Eggborough and in 2020 decommissioned Buschhaus powerplants, the Group has already announced a closure of Mehrum (2021), Deuben (2021), Provence 5 (2021) or Emile Huchet 6 (Q1 2022) power plants. All of that represents a significant step towards the fulfillment of the Group's role in attainment of the Paris Climate Conference goals.

## ESG policies

In 2021, after finalization of the thorough analysis within the EPH Group, the existing Group policies were updated and new policies were approved by EPPE. These policies include mainly:

- 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 EPPE 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”)

EPPE has 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.

The HSE Committees represent key bodies safeguarding that the EPPE Group acts in line with the adopted ESG policies.

### Employment relations and employees

The main strengths and key focus of the EPPE 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.

EPPE 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 EPPE Group Procurement policy. The management believes that 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.

EPPE employees are interested in overall EPPE 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 EPPE Group during 2020 was 4,154 (4,225 in 2019), of which 70 were executives (65 in 2019). The decrease in employees is mainly attributable to reduction in coal related operations at MIBRAG.

KPI	Unit	2020	2019	2020-2019	%
<b>Headcount</b>					
<b>EPPE Group</b>					
	<b>#FTE</b>				
Czech Republic		108	88	20	23%
France		517	518	(1)	-%
Ireland		11	11	-	-%
Germany		2,389	2,516	(127)	(5%)
UK		539	506	33	7%
Switzerland		9	4	5	125%
Italy		581	582	(1)	-%
<b>Total – EPPE Group</b>		<b>4,154</b>	<b>4,225</b>	<b>(71)</b>	<b>(2%)</b>

KPI	Unit	2020	2019	2020-2019	%
<b>Headcount</b>					
<b>EPPE Group</b>					
	<b>#FTE</b>				
Executives		70	65	5	7%
Other Employees		4,084	4,160	(76)	(2%)
<b>Total – EPPE Group</b>		<b>4,154</b>	<b>4,225</b>	<b>(71)</b>	<b>(2%)</b>

### Corruption and breaches

EPPE 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 Company. In line with EPPE 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, EPPE has decided to formalise those into an overall policy applicable across the EPPE, including all subsidiaries.

EPPE 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 EPPE adopted a Policy on Reporting of Serious Concerns. Similarly, also all our business partners are encouraged to raise concerns about any issue relating to EPPE or suspicion of violation of the EPPE 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 Group-wide 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*

EPPE achieved impressive financial results in the year under the review. Results reflect positive market development on the revenue side as well as cautious approach towards expenses, with further enhancement coming from the impact of new acquisitions.

## Sales

Total sales reached EUR 5,277 million (EUR 5,106 million in 2019). The increase is attributable to both segments. Generation and Mining segment increased by EUR 135 million, or 3%, mostly as effect of last year acquisitions which have been fully included in the results for the first time (mainly EP Kilroot and EP Ballylumford) as well as due to newly included sourcing activities (EP Resources AG). On the other hand, lower sales were recorded by EP Commodities, JTSD Group and EP Mehrum. Renewable Energy segment increased by EUR 37 million, or 7%, primarily since EP France wind and solar power plants have been included for full year for the first time and due to slight increase in Lynemouth biomass power plant operations.

External Sales	Units	2020	2019	2020-2019	%
<b>EPPE Group</b>					
	million EUR				
Generation and Mining		4,726	4,591	135	3%
Renewable Energy		550	513	37	7%
Holding and Other		1	2	-1	(50%)
<b>Total EPPE Group</b>		<b>5,277</b>	<b>5,106</b>	<b>171</b>	<b>3%</b>

## EBITDA

EBITDA of the EPPE Group reached EUR 522 million (EUR 427 million in 2019). The presented EBITDA is defined as profit from operations less depreciation and amortisation and is further netted for eventual impact of negative goodwill. Apart from this, the EBITDA calculation does not include any further adjustments.

Generation and Mining segment increased by EUR 86 million, or 27%, mainly due to our UK assets (mainly South Humber Bank and EP Langage) which play key role on the UK's capacity market and also improvement of our Italian assets (EP Produzione, Fiume Santo) on the capacity market. Further, EBITDA was positively impacted by the effect of acquisitions in 2019, which were now included for full year, which was partially offset by lower performance of JTSD Group and Mehrum. Renewable

Energy segment increased by EUR 3 million, or 3%, which relates mostly to our French fleet of renewable power plants that were first included for full year while 6 months were included in 2019 only.

EBITDA	Units	2020	2019	2020-2019	%
<b>EPPE Group</b>					
	million EUR				
Generation and Mining		407	321	86	27%
Renewable Energy		122	119	3	3%
Holding and Other		(7)	(13)	6	n/a
<b>Total EPPE Group</b>		<b>522</b>	<b>427</b>	<b>95</b>	<b>22%</b>

## CAPEX

CAPEX of EPPE Group reached EUR 156 million (EUR 143 million in 2019). The presented CAPEX is defined as additions to tangible and intangible 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.

The 8% increase in CAPEX is mainly driven by Generation and mining business where major part represents investments in French CCGT Power plants that were disposed of in Q4/2020. The largest part of Generation and Mining segment was represented by large overhauls of our power plants in Italy and the UK. As our largest project of Lynemouth Power plant conversion was completed in 2019 there were no significant capital expenditures in this segment in 2020.

CAPEX	Units	2020	2019	2020-2019	%
<b>EPPE Group</b>					
	million EUR				
Generation and Mining		150	122	28	27%
Renewable Energy		6	21	(15)	(71%)
<b>Total EPPE Group</b>		<b>156</b>	<b>143</b>	<b>13</b>	<b>9%</b>

## Net financial debt, Net leverage

Net financial debt is calculated as a sum of Loans and borrowings less Cash and cash equivalents. Net leverage is calculated as Net financial debt divided by EBITDA.

The Group's financial health is strong due to its conservative funding strategy and low leverage. Net financial debt stood at EUR 439 million at the end of the year under review (EUR 814 million in 2019). Excluding debt of EUR 405 million (EUR 552 million in 2019) provided by the parent company of EPPE, the net financial debt stood at EUR 34 million (EUR 262 million in 2019). Overall decrease of external funding by EUR 228 million, or 87%, was enabled by improved Group's operational performance illustrated by 22% increase of EBITDA.

Net leverage (excluding debts to parent company) improved to <0.1x in 2020 as compared to 0.6x in 2019, which is driven by improved Group's operational performance and the effect of acquisitions. The total Net leverage (including debt to parent company) decreased to 0.8x (from 1.9x in 2019).

<b>Net financial debt and Net leverage</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>	<b>2020-2019</b>	<b>%</b>
	million EUR				
Loans and borrowings		1,001	1,286	(285)	(28%)
out of which: loans and borrowings provided by EPH		405	552	(157)	(28%)
Cash and cash equivalents		562	472	90	19%
<b>Net financial debt</b>		<b>439</b>	<b>814</b>	<b>(375)</b>	<b>(46%)</b>
<b>Net financial debt (excl. loans and borrowings provided by EPH)</b>		<b>34</b>	<b>262</b>	<b>(228)</b>	<b>(87%)</b>
EBITDA		522	427	95	22%
<b>Net leverage</b>		<b>0.8x</b>	<b>1.9x</b>	<b>(1.1x)</b>	<b>(58%)</b>
<b>Net leverage (excl. loans and borrowings provided by EPH)</b>		<b>&lt;0.1x</b>	<b>0.6x</b>	<b>(0.5x)</b>	<b>(83%)</b>

Cash conversion was 62.3% (62.5% in 2019). The high ratio of EBITDA conversion to cash flows further reinforces very good positioning of EPPE Group in terms of leverage within the industry peer group.

<b>Cash conversion</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>	<b>2020-2019</b>	<b>%</b>
EBITDA	million EUR	522	427	95	5%
CAPEX		(156)	(143)	(12)	5%
Tax paid		(41)	(17)	(24)	77%
<b>Cash conversion</b>	<b>%</b>	<b>62.3%</b>	<b>62.5%</b>	<b>x</b>	<b>x</b>

## 1.4 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 diversity 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.

### *Research and development activities*

In 2020, the EPPE 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 2020, EPPE Group did not acquire any own shares or ownership interests within the Group.

### *Risks and risk management policies*

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

### *Impact of Brexit*

A Trade and Cooperation Agreement (TCA) was agreed between the EU and UK at the end of 2020. The focus of this agreement is on tariff and quota free trade of goods between the UK and EU, with some provisions also relating to the trade of services and investment.

EU Directives and Regulations were adopted into UK law prior to Brexit and the UK has continued to comply with EU law during the Transition Period. EU and UK rules are therefore currently aligned. The UK will be able to develop its own policies going forward, subject to several high-level principles set out in the TCA. The TCA contains a non-regression principle, ensuring that levels of environmental and climate protection cannot fall below those currently in place, including environmental targets already agreed for future dates. However, if policies in the UK and EU diverge in a way which could significantly affect trade between the two or subsidies are implemented which have this effect, rebalancing or remedial measures can be put in place, which could ultimately undermine or lead to a renegotiation of the TCA.

Great Britain has now left the Internal Energy Market, but the energy provisions in the Agreement reiterate both sides' commitment to many of the IEM's principles and set out an aim to return to day ahead implicit capacity allocation over UK-EU electricity interconnectors by April 2022.

The UK introduced UK ETS which is like EU ETS but there is no liquid market with UK ETS yet. The first auction is scheduled for 19th May 2021. Until liquid secondary market materializes, power plants need to use EU ETS price as a proxy for future UK ETS. There is a risk that UK ETS price could turn out to be above EU ETS which would have negative impact on UK plants' performance.



Post Brexit British sterling appreciated against Euro which could be however also interpreted in the light of successful Covid-19 vaccination programme.

#### *Sustainability report*

Information about EPPE Group will be included in EPH Sustainability report. EPH plans to issue its Sustainability report for 2020 during H1/2021. 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, both being strongly linked to EPPE Group as well.

#### *Outlook for 2021*

Even this Annual Report is issued at difficult times in the light of the continued coronavirus pandemic posing great challenges for many aspects of our society including business matters of EPPE Group, EPPE intends to continue to develop its activities. The EPPE Group has two central objectives: guaranteeing the health and safety of its 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, EPPE Group believes its medium- to long-term market position stays resilient, primarily as major part of its operated assets are regulated and/or long-term contracted with high quality counterparties. At the same time EPPE Group maintains robust counterparty and liquidity risk management system which underpin EPPE Group's financial stability.

## MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of EP Power Europe, a.s. (further “the Company”) for the year ended 31 December 2020, 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 EPPE 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 2020. 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 May 2021



Mgr. Marek Spurný  
*Vice-chairman of the Board of Directors*



Mgr. Pavel Horský  
*Vice-chairman of the Board of Directors*

## **REPORT ON RELATIONS**

## **REPORT ON RELATIONS**

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

prepared by the Board of Directors of EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 278 58 685, 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 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 profit or the settlement of loss.

The Report has been prepared for the 2020 accounting period.

### **II. Structure of Relations between the Entities**

#### **CONTROLLED ENTITY**

The controlled entity is EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 278 58 685, registered in the Commercial Register of the Municipal Court in Prague, Section B, Insert 21599.

#### **DIRECT CONTROLLING ENTITY**

Energetický a průmyslový holding, a.s.

Registered office: Pařížská 130/26, Josefov,  
110 00 Prague 1, Czech Republic  
ID No.: 283 56 250

#### **INDIRECT CONTROLLING ENTITY**

EP Investment S.à.r.l.

Registered office: 39A, Avenue J.F. Kennedy, L – 1855  
Luxembourg, Luxembourg  
Reg. No.: B 184488

## **OTHER CONTROLLED ENTITIES**

The companies controlled by the same controlling entities as at 31 December 2020 will be disclosed in the relevant Note to the consolidated financial statements of the controlled entity for the year ended 31 December 2020.

### **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 and provided in order 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 entities hold a majority share of voting rights in EP Power Europe, a.s. over which they exercise a controlling influence.

### **IV.**

#### **Overview of Acts specified by Section 82 (2)(d) of Act No. 90/2012 Coll., on Business Corporations**

In 2020, no other actions were taken at the initiative or in the interest of the controlling entity that would concern assets exceeding 10% of the controlled entity's equity as determined from the most recent financial statements.

### **V.**

#### **Agreements concluded between EP Power Europe, a.s. and other Related Entities**

##### **V.1.1.**

##### **In 2020, the following loan agreements were in place**

On 27 July 2015, a loan agreement, including valid amendments, was signed by and between EPPE Italy N.V. (formerly Czech Gas Holding N.V.) as the creditor, and Energetický a průmyslový holding, a.s., as the debtor. In 2019, EP Power Europe, a.s. became the legal successor of EPPE Italy N.V.

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

On 30 November 2018, a loan agreement including valid amendments was signed by and between EP Power Europe, a.s. as the creditor, and Lynemouth Power Limited as the debtor.

On 1 July 2017, a loan agreement including valid amendments was signed by and between EP Power Europe, a.s. as the creditor, and EP Commodities, a.s. as the debtor.

On 1 August 2017, a loan agreement, including valid amendments, was signed by and 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 was signed by and between EP United Kingdom, s.r.o. as the creditor, and EP UK Investments Ltd as the debtor. In 2017, EP Power Europe, a.s. became the legal successor of EP United Kingdom, s.r.o.

On 18 September 2018, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the debtor, and EP Produzione S.p.A. as the creditor.

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

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

On 9 July 2019, a loan agreement including valid amendments was signed by and between EP Power Europe, a.s. as the creditor, and EP France S.A.S., as the debtor.

On 18 October 2019, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor, and EP Resources AG, as the debtor.

On 28 November 2019, a loan agreement including valid amendments was signed by and between EP Power Europe, a.s. as the creditor, and EP Ukraine B.V., as the debtor.

On 28 January 2020, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EPPE Germany, a.s. as the debtor.

On 9 April 2020, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP Commodities, a.s. as the debtor.

#### **V.1.2.**

#### **In 2020, the following agreements on the contribution into the other capital funds were concluded**

On 11 May 2020, an agreement on the contribution into the other capital fund was signed by EP Power Europe, a.s. as the shareholder, and EPPE Germany, a.s.

### **V.1.3.**

#### **Other contracts valid in 2020**

On 1 December 2017, a framework agreement on the provision of guarantees was signed by and between Energetický a průmyslový holding, a.s. as the guarantor and EP Power Europe, a.s. as the debtor.

On 29 June 2018, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor, and EP Commodities, a.s.

On 30 November 2018, an agreement on the assignment of a loan agreement including valid amendments was signed by and between EP Power Europe, a.s. as the assignor, and EP UK Investments Ltd as the assignee, against Lynemouth Power Limited.

On 1 November 2019, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor, and EP Langage Limited, Lynemouth Power Limited, and EP SHB Limited.

On 24 April 2020, an agreement on offsetting receivables was signed by and between EP Power Europe, a.s., and EP UK Investments Ltd.

On 12 May 2020, a “Subscription Certificate” on the increase in share capital was signed by and between EP Power Europe, a.s., and EP Resources AG.

On 20 May 2020, an agreement on offsetting receivables was signed by and between EP Power Europe, a.s., and EP Resources AG.

On 1 July 2020, an agreement on offsetting receivables was signed by and between EP Power Europe, a.s., and Energetický a průmyslový holding, a.s.

On 1 August 2020, a framework agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor, and Gazel Energie Solutions SAS.

### **V.1.4.**

#### **In 2020, the following operating agreements were in place**

An agreement on providing professional assistance including valid amendments dated 12 April 2016, concluded between EP Power Europe, a.s. (formerly RILENTAR, a.s.) as the interested party and EP Investment Advisors, s.r.o. as the provider.

An agreement on mediation dated 1 September 2016, concluded between EP Power Europe, a.s. as the interested party, and EP Investment Advisors, s.r.o. as the provider.

An agreement on the sublease of business premises (the sublease agreement) dated 15 June 2017, concluded between EP Power Europe, a.s. as the sub-lessee, and EP Investment Advisors, s.r.o. as the lessee.

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

An agreement on providing professional assistance concluded on 2 January 2017, between EP Power Europe, a.s. as the interested party, and EP Industries, a.s. as the provider.

An agreement on providing professional assistance concluded on 2 January 2017, between EP Power Europe, a.s. as the provider, and EP Industries, a.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and Energetický a průmyslový holding, a.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the interested party, and EP Infrastructure, a.s. as the provider.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and EP Infrastructure, a.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and EP Investment Advisors, s.r.o. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and EP Yuzivska B.V. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and EP Sophievska B.V. as the interested party.

An agreement on providing professional assistance concluded on 1 January 2018, between EP Power Europe, a.s. as the provider and Eggborough Power Ltd as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and Mitteldeutsche Braunkohlengesellschaft mbH as the interested party.

An agreement, including valid amendments, on providing professional assistance concluded on 1 January 2018 between EP Power Europe, a.s. as the provider, and EP UK Investments Ltd as the interested party.

An agreement on providing professional assistance concluded on 1 January 2018, between EP Power Europe, a.s. as the provider, and EP Mehrum GmbH as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and EP Fleet, k.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and EP Commodities, a.s. as the interested party.



An agreement on providing professional assistance concluded on 2 January 2018, between EP Power Europe, a.s. as the provider, and LEAG Holding, a.s. as the interested party

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the interested party, and PT Real Estate, a.s. as the provider.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the provider, and PT Real Estate, a.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2019, between EP Power Europe, a.s. as the provider, and EP Energy, a.s. as the interested party.

An agreement on providing professional assistance concluded on 1 January 2019 between EP Power Europe, a.s. as the provider, and EP Coal Trading, a.s. as the interested party.

An agreement on providing professional assistance concluded on 1 January 2019 between EP Power Europe, a.s. as the provider, and EP Logistics International, a.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the provider, and Saale Energie GmbH as the interested party.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the provider, and EP France S.A.S. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the provider, and JTSD Braunkohlebergbau GmbH as the interested party.

An agreement on providing professional assistance concluded on 1 April 2019 between EP Power Europe, a.s. as the provider, and EP New Energies GmbH as the interested party.

An agreement on providing professional assistance concluded on 1 August 2019 between EP Power Europe, a.s. as the provider, and EP Resources AG as the interested party.

An agreement on consulting services concluded on 19 January 2018 between EP Power Europe a.s. as the provider, and EP New Energy Italia S.r.l. as the interested party.

An agreement on consulting services concluded on 19 January 2018 between EP Power Europe a.s. as the provider, and EP Produzione S.p.A. as the interested party.

An agreement on consulting services concluded on 1 January 2019 between EP Power Europe a.s. as the provider, and Lausitz Energie Bergbau AG as the interested party.

An agreement on consulting services concluded on 7 January 2020 between EP Power Europe a.s. as the provider, and Biomasse Italia S.p.A. as the interested party.

An agreement on consulting services concluded on 7 January 2020 between EP Power Europe a.s. as the provider, and Biomasse Crotone S.p.A. as the interested party.

An agreement on consulting services concluded on 7 January 2020 between EP Power Europe a.s. as the provider, and Fusine Energie S.r.l. as the interested party.

**VI.**  
**Other juridical acts made between EP Power Europe, a.s. and other related entities**

Except for the above, no other agreements were concluded by and between EP Power Europe, a.s. and the related entities, and no supplies or considerations were provided between EP Power Europe, a.s. and the related entities.

EP Power Europe, a.s. did not adopt or carry out any other juridical acts or measures in the interest or at the initiative of the related entities.

**VII.**  
**Transactions, receivables and payables of EP Power Europe, a.s. vis-à-vis related entities**

Receivables and payables of EP Power Europe, a.s. from/to related entities as at 31 December 2020 are disclosed in the respective note to the financial statements of the controlled entity for the year ended 31 December 2020.

**VIII.**

We hereby confirm that in this report on relations between related parties of EP Power Europe, a.s. prepared pursuant to Section 82(1) of Act No. 90/2012 Coll., on Business Corporations, as amended, for the reporting period from 1 January 2020 to 31 December 2020, we have included all information known as of the date of signing this report regarding the following:

- agreements between related entities;
- supplies and considerations provided to related entities;
- other juridical acts made in the interest of these entities;
- all measures adopted or effected in the interest or at the initiative of these entities.

The Board of Directors of EP Power Europe, a.s. also declares that EP Power Europe, a.s. has not incurred any damage from acts performed by the controlling entity or entities controlled by the same controlling entity. All transactions between the controlled entity and the controlling entity or entities controlled by the same controlling entity were performed based on the arm's length principle. EP Power Europe, a.s. has not incurred any damage or loss nor has it generated any financial advantage or disadvantage from contractual relations or any other relations with related entities.

Prague, 20 March 2021

  
Marek Spurný  
Vice-Chairman of the Board of Directors

  
Pavel Horský  
Vice-Chairman of the Board of Directors

**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER  
2020**

**EP Power Europe, a.s.**

**Consolidated Financial Statements  
as of and for the year ended 31 December 2020**

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

## Content

Consolidated statement of comprehensive income .....	3
Consolidated statement of financial position .....	4
Consolidated statement of changes in equity .....	5
Consolidated statement of cash flows .....	7
Notes to the consolidated financial statements .....	9
1. Background .....	9
2. Basis of preparation .....	11
3. Significant Accounting Policies .....	16
4. Determination of fair values .....	35
5. Acquisitions and disposals of subsidiaries and associates .....	37
6. Sales .....	45
7. Cost of sales .....	46
8. Personnel expenses .....	46
9. Emission rights .....	46
10. Taxes and charges .....	47
11. Other operating income .....	47
12. Other operating expenses .....	48
13. Finance income and expense, profit (loss) from financial instruments .....	49
14. Income tax expenses .....	49
15. Property, plant and equipment .....	51
16. Intangible assets (including goodwill) .....	54
17. Equity accounted investees .....	56
18. Deferred tax assets and liabilities .....	59
19. Inventories .....	61
20. Trade receivables and other assets .....	62
21. Cash and cash equivalents .....	62
22. Restricted cash .....	62
23. Equity .....	63
24. Earnings per share .....	64
25. Non-controlling interest .....	66
26. Loans and borrowings .....	68
27. Provisions .....	72
28. Deferred income .....	81
29. Financial instruments .....	82
30. Trade payables and other liabilities .....	85
31. Financial commitments and contingencies .....	86
32. Leases .....	87
33. Risk management policies and disclosures .....	89
34. Related parties .....	105
35. Group entities .....	107
36. Litigations and claims .....	110
37. Subsequent events .....	110
Appendix 1 – Business combinations .....	113
Appendix 2 – Restated Consolidated statements of comprehensive income and Restated Consolidated statement of financial position .....	117

# Consolidated statement of comprehensive income

For the year ended 31 December 2020

In millions of EUR ("MEUR")

	Note	2020	2019 restated <sup>(1)</sup>
Sales: Energy	6	5,212	5,103
Gain (loss) from commodity derivatives for trading with electricity and gas, net		65	3
<b>Total sales</b>		<b>5,277</b>	<b>5,106</b>
Cost of sales: Energy	7	(3,431)	(3,701)
Cost of sales: Other	7	(256)	(80)
<b>Total cost of sales</b>		<b>(3,687)</b>	<b>(3,781)</b>
<b>Subtotal</b>		<b>1,590</b>	<b>1,325</b>
Personnel expenses	8	(364)	(293)
Depreciation and amortisation	15, 16	(308)	(281)
Repairs and maintenance		(61)	(58)
Emission rights, net	9	(329)	(305)
Negative goodwill	5	9	39
Taxes and charges	10	(118)	(91)
Other operating income	11	76	85
Other operating expenses	12	(275)	(239)
Own work capitalized		3	3
<b>Profit (loss) from operations</b>		<b>223</b>	<b>185</b>
Finance income	13	19	24
Finance expense	13	(59)	(56)
Profit (loss) from financial instruments	13	15	(5)
<b>Net finance income (expense)</b>		<b>(25)</b>	<b>(37)</b>
Share of profit (loss) of equity accounted investees, net of tax	17	67	135
Gain (loss) on disposal of subsidiaries	5	36	-
<b>Profit (loss) before income tax</b>		<b>301</b>	<b>283</b>
Income tax expenses	14	(53)	(31)
<b>Profit (loss) for the year</b>		<b>248</b>	<b>252</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences from foreign operations	14	35	(11)
Foreign currency translation differences from presentation currency	14	(46)	18
Effective portion of changes in fair value of cash-flow hedges, net of tax	14	(43)	(219)
Fair value reserve included in other comprehensive income, net of tax	14	(19)	(23)
<b>Other comprehensive income for the year, net of tax</b>		<b>(73)</b>	<b>(235)</b>
<b>Total comprehensive income for the year</b>		<b>175</b>	<b>17</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Company		242	247
Non-controlling interest	25	6	5
<b>Profit (loss) for the year</b>		<b>248</b>	<b>252</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		169	12
Non-controlling interest	25	6	5
<b>Total comprehensive income for the year</b>		<b>175</b>	<b>17</b>
<b>Total basic and diluted earnings per share in EUR</b>	24	<b>2,057</b>	<b>2,100</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

The notes presented on pages 9 to 118 form an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at 31 December 2020

In millions of EUR ("MEUR")

	Note	2020	2019 restated <sup>(1)</sup>
<b>Assets</b>			
Property, plant and equipment	15	1,897	2,332
Intangible assets	16	165	187
Goodwill	16	41	41
Equity accounted investees	17	805	763
Financial instruments and other financial assets	29	526	464
<i>of which loans to shareholders</i>		429	371
Trade receivables and other assets	20	67	113
Deferred tax assets	18	60	68
<b>Total non-current assets</b>		<b>3,561</b>	<b>3,968</b>
Inventories	19	365	320
Extracted minerals and mineral products		6	6
Trade receivables and other assets	20	989	942
Financial instruments and other financial assets	29	578	431
<i>of which loans to shareholders</i>		181	136
Prepayments and other deferrals		33	20
Current income tax receivable	14	9	13
Restricted cash	22	31	42
Cash and cash equivalents	21	562	472
<b>Total current assets</b>		<b>2,573</b>	<b>2,246</b>
<b>Total assets</b>		<b>6,134</b>	<b>6,214</b>
<b>Equity</b>			
Share capital	23	905	905
Other reserves	23	(520)	(460)
Retained earnings		1,140	975
<b>Total equity attributable to equity holders</b>		<b>1,525</b>	<b>1,420</b>
Non-controlling interest	25	69	74
<b>Total equity</b>		<b>1,594</b>	<b>1,494</b>
<b>Liabilities</b>			
Loans and borrowings	26	233	313
Financial instruments and financial liabilities	29	58	43
Provisions	27	1,317	1,298
Deferred income	28	3	-
Deferred tax liabilities	18	61	90
Trade payables and other liabilities	30	73	102
<b>Total non-current liabilities</b>		<b>1,745</b>	<b>1,846</b>
Trade payables and other liabilities	30	992	948
Contract liabilities	6	-	119
Loans and borrowings	26	768	973
<i>of which owed to shareholders</i>		405	552
Financial instruments and financial liabilities	29	469	323
Provisions	27	464	503
Deferred income	28	70	1
Current income tax liability	14	32	7
<b>Total current liabilities</b>		<b>2,795</b>	<b>2,874</b>
<b>Total liabilities</b>		<b>4,540</b>	<b>4,720</b>
<b>Total equity and liabilities</b>		<b>6,134</b>	<b>6,214</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

The notes presented on pages 9 to 118 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2020

In millions of EUR ("MEUR")

	Share capital	Share premium	Other capital funds from capital contributions	Attributable to owners of the Company Non-distributable reserves	Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
<b>Balance as at 1 January 2020 (A) (restated)<sup>(1)</sup></b>	<b>905</b>	<b>-</b>	<b>102</b>	<b>12</b>	<b>(5)</b>	<b>(36)</b>	<b>(848)</b>	<b>315</b>	<b>975</b>	<b>1,420</b>	<b>74</b>	<b>1,494</b>
<i>Total comprehensive income for the year:</i>												
Profit or loss (B)	-	-	-	-	-	-	-	-	242	242	6	248
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	-	-	-	-	33	-	-	-	-	33	2	35
Foreign currency translation differences from presentation currency	-	-	-	-	(44)	-	-	-	-	(44)	(2)	(46)
Fair value reserve included in other comprehensive income, net of tax	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	(43)	-	(43)	-	(43)
<b>Total other comprehensive income (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(19)</b>	<b>-</b>	<b>(43)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>	<b>(73)</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(19)</b>	<b>-</b>	<b>(43)</b>	<b>242</b>	<b>169</b>	<b>6</b>	<b>175</b>
<i>Contributions by and distributions to owners:</i>												
Contribution to equity	-	-	13	-	-	-	-	-	-	13	-	13
Dividends to equity holders	-	-	-	-	-	-	-	-	(78)	(78)	(11)	(89)
<b>Total contributions by and distributions to owners (E)</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78)</b>	<b>(65)</b>	<b>(11)</b>	<b>(76)</b>
<i>Changes in ownership interests in subsidiaries:</i>												
Effect of changes in shareholding on non-controlling interests	-	-	-	-	-	-	-	-	1	1	-	1
<b>Total changes in ownership interests in subsidiaries (F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total transactions with owners (G) = (E + F)</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77)</b>	<b>(64)</b>	<b>(11)</b>	<b>(75)</b>
<b>Balance as at 31 December 2020 (H) = (A + D + G)</b>	<b>905</b>	<b>-</b>	<b>115</b>	<b>12</b>	<b>(16)</b>	<b>(55)</b>	<b>(848)</b>	<b>272</b>	<b>1,140</b>	<b>1,525</b>	<b>69</b>	<b>1,594</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

The notes presented on pages 9 to 118 form an integral part of these consolidated financial statements.



**For the year ended 31 December 2019**

*In millions of EUR ("MEUR")*

	Share capital	Share premium	Other capital funds from capital contributions	Attributable to owners of the Company Non-distributable reserves	Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
<b>Balance as at 1 January 2019 (A)</b>	<b>555</b>	<b>-</b>	<b>89</b>	<b>9</b>	<b>(12)</b>	<b>(13)</b>	<b>(498)</b>	<b>534</b>	<b>701</b>	<b>1,365</b>	<b>59</b>	<b>1,424</b>
<i>Total comprehensive income for the year:</i>												
Profit or loss (B)	-	-	-	-	-	-	-	-	247	247	5	252
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	-	-	-	-	(11)	-	-	-	-	(11)	-	(11)
Foreign currency translation differences from presentation currency	-	-	-	-	18	-	-	-	-	18	-	18
Fair value reserve included in other comprehensive income, net of tax	-	-	-	-	-	(23)	-	-	-	(23)	-	(23)
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	(219)	-	(219)	-	(219)
<b>Total other comprehensive income (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>(23)</b>	<b>-</b>	<b>(219)</b>	<b>-</b>	<b>(235)</b>	<b>-</b>	<b>(235)</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>(23)</b>	<b>-</b>	<b>(219)</b>	<b>247</b>	<b>12</b>	<b>5</b>	<b>17</b>
<i>Contributions by and distributions to owners:</i>												
Increase of share capital	350	-	-	-	-	-	(350)	-	-	-	-	-
Contribution to equity	-	-	13	-	-	-	-	-	-	13	-	13
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Transfer to non-distributable reserves – creation of legal fund	-	-	-	3	-	-	-	-	(3)	-	-	-
<b>Total contributions by and distributions to owners (E)</b>	<b>350</b>	<b>-</b>	<b>13</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>(350)</b>	<b>-</b>	<b>(3)</b>	<b>13</b>	<b>(4)</b>	<b>9</b>
<i>Changes in ownership interests in subsidiaries:</i>												
Effect of changes in shareholding on non-controlling interests	-	-	-	-	-	-	-	-	30	30	2	32
Effect of acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	12	12
<b>Total changes in ownership interests in subsidiaries (F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>30</b>	<b>14</b>	<b>44</b>
<b>Total transactions with owners (G) = (E + F)</b>	<b>350</b>	<b>-</b>	<b>13</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>(350)</b>	<b>-</b>	<b>27</b>	<b>43</b>	<b>10</b>	<b>53</b>
<b>Balance as at 31 December 2019 (restated)<sup>(1)</sup></b>												
<b>(H) = (A + D + G)</b>	<b>905</b>	<b>-</b>	<b>102</b>	<b>12</b>	<b>(5)</b>	<b>(36)</b>	<b>(848)</b>	<b>315</b>	<b>975</b>	<b>1,420</b>	<b>74</b>	<b>1,494</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

The notes presented on pages 9 to 118 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2020

In millions of EUR ("MEUR")

	Note	2020	2019
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		248	274
Adjustments for:			
Income taxes	14	53	31
Dividend income		(1)	-
Depreciation and amortisation	15, 16	308	281
Impairment losses on property, plant and equipment, intangible assets and financial assets	12, 13	3	12
Non-cash (gain) loss from commodity derivatives for trading with electricity, gas and emission rights, net and inventory held for trading	6, 9	(55)	(3)
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	11	2	(4)
(Gain) loss on disposal of subsidiaries	5	(36)	-
Emission rights	9	329	305
Share of (profit) loss of equity accounted investees	17	(67)	(135)
(Gain) loss on financial instruments	13	(3)	(7)
Net interest expense	13	23	35
Change in allowance for impairment to trade receivables and other assets, write-offs		21	(6)
Change in provisions		(29)	(28)
Negative goodwill	5	(9)	(61)
Other finance fees, net	14	13	-
Foreign exchange (gains) losses, net		(9)	21
<b>Operating profit before changes in working capital</b>		<b>791</b>	<b>715</b>
Change in trade receivables and other assets		(47)	316
Change in inventories (including proceeds from sale)		(31)	(28)
Change in trade payables and other liabilities		120	(291)
Change in restricted cash		11	(8)
<b>Cash generated from (used in) operations</b>		<b>844</b>	<b>704</b>
Interest paid		(13)	(25)
Income taxes paid		(33)	(17)
<b>Cash flows generated from (used in) operating activities</b>		<b>798</b>	<b>662</b>

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2020

In millions of EUR ("MEUR")

	Note	2020	2019
<b>INVESTING ACTIVITIES</b>			
Dividends received		(2)	-
Loans provided to the owners		(452)	(569)
Repayment of loans provided to the owners		248	253
Proceed (outflows) from sale (settlement) of financial instruments		(1)	(33)
Acquisition of property, plant and equipment and intangible assets	15, 16	(156)	(124)
Purchase of emission rights	16	(357)	(245)
Proceeds from sale of emission rights		72	11
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		1	21
Acquisition of subsidiaries and associates, net of cash acquired	5	(5)	(19)
Net cash inflow from disposal of subsidiaries	5	169	-
(Increase) decrease in participation in existing subsidiaries, joint-ventures and associates		1	68
Interest received		13	9
<b>Cash flows from (used in) investing activities</b>		<b>(469)</b>	<b>(628)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans received	26	143	474
Repayment of borrowings	26	(370)	(383)
Finance fees paid from repayment of borrowings		-	(6)
Payment of lease liability	32	(5)	(5)
Dividends paid		(6)	(4)
<b>Cash flows from (used in) financing activities</b>		<b>(238)</b>	<b>76</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>91</i>	<i>110</i>
<b>Cash and cash equivalents at beginning of the year</b>		<b>472</b>	<b>373</b>
Effect of exchange rate fluctuations on cash held		(1)	(11)
<b>Cash and cash equivalents at end of the year</b>		<b>562</b>	<b>472</b>

The notes presented on pages 9 to 118 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1. Background

EP Power Europe, a.s. (the “Parent Company” or “the Company” or “EPPE”) is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded on 13 July 2008 and acquired by Energetický a průmyslový holding, a.s. (“EPH”) on 13 April 2016.

The main activities of the EPPE Group are corporate investments in the power generation, commodity trading and mining sectors.

On 27 December 2019 EP Power Europe, a.s. merged with its subsidiary company EPPE Italy N.V. The merger resulted in issue of new shares. This issue of shares increased share capital of the Company by EUR 350 million (CZK 8,923 million).

The consolidated financial statements of the Company for the year ended 31 December 2020 comprise the statements of the Parent Company and its subsidiaries (together referred to as the “Group” or “EPPE Group”) and the Group’s interests in associates and joint ventures. The Group entities are listed in Note 35 – Group entities.

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

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
Energetický a průmyslový holding, a.s.	905	100.00	100.00
<b>Total</b>	<b>905</b>	<b>100.00</b>	<b>100.00</b>

The shareholder of the Company as at 31 December 2019 were as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
Energetický a průmyslový holding, a.s.	905	100.00	100.00
<b>Total</b>	<b>905</b>	<b>100.00</b>	<b>100.00</b>

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2020 were as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
EP Investment S.à.r.l.	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
<b>Total</b>	<b>170</b>	<b>100.00</b>	<b>100.00</b>

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2019 were as follows:

<i>In millions of EUR</i>	Interest in share capital		Voting rights
	MEUR	%	%
EP Investment S.à.r.l.	81	53.00	53.00
EP Investment II S.à.r.l.	71	47.00	47.00
<b>Total</b>	<b>152</b>	<b>100.00</b>	<b>100.00</b>

The members of the Board of Directors as at 31 December 2020 were:

- JUDr. Daniel Křetínský (Chairman of the Board of Directors)
- Mgr. Marek Spurný (Vice-Chairman of the Board of Directors)
- Mgr. Ing. Tomáš David (Vice-Chairman of the Board of Directors)
- Mgr. Pavel Horský (Vice-Chairman of the Board of Directors)
- Ing. Jan Špringl (Vice-Chairman of the Board of Directors)
- Ing. Jiří Feist (Member of the Board of Directors)
- Ing. Tomáš Novotný (Member of the Board of Directors)
- Leif Timmermann (Member of the Board of Directors)

- Ing. Filip Bělák (Member of the Board of Directors)
- Gary Wheatley Mazzoti (Member of the Board of Directors)
- Miroslav Haško (Member of the Board of Directors)

As the Company was established under the common control principle by its sole shareholder Energetický a průmyslový holding, a.s., the Company opted to report the entities sold to the Company by EPH as if sold by EPH on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group (refer to Note 3 – Significant Accounting Policies).

## **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 May 2021.

### **(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:

- derivative financial instruments;
- 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 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 EPPE 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 EPPE Group’s stakeholders, having two central objectives in mind: guaranteeing the health and safety of employees, which remains the EPPE Group’s top priority, and safeguarding the continuity of the essential energy security service in the countries where the EPPE 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.

Still the impact of COVID-19 on the Group’s 2020 financial results was limited, as the majority of the Group’s operations is concentrated around critical infrastructure and basic services for people and economies. The EPPE Group showed robust performance in 2020, thanks to its increasing share in renewable power generation benefiting from government back schemes securing stability of the operations and major importance of the EPPE Group’s powerplants for the stability of the grids in regions where most of these powerplants are located.

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 portion of its assets is part of a critical infrastructure included in the grid balancing systems or under long term contracts in case of renewable power plants. 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, EPPE 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 judgement 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 resulting in a material adjustment in the following years is included in the following notes:

- Notes 5, 15 and 16 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill;
- Note 19 – measurement of inventories for trading at fair value less cost to sell;
- Note 6 – revenues;
- Note 27 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 26, 29 and 33 – valuation of loans and borrowings and financial instruments;
- Note 36 – 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 5 and 16 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill;
- Note 6 – judgements relating to recognition of revenues from customers;
- Note 5 and 25 – information relating to assessment of the control over the subsidiaries;
- Note 27 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 29 – own use exemption application for forward contracts on power and CO2 emission allowances;
- Note 29 and 33 – hedge accounting application.

## **(f) Recently issued accounting standards**

### ***i. Newly adopted Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2020 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 2020 and that have thus been applied by the Group for the first time.

#### **Amendments to References to the Conceptual Framework in IFRS Standards (Effective for annual periods beginning on or after 1 January 2020)**

Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the Board in 2001 (Framework) or the Conceptual Framework for Financial Reporting issued in 2010. Amendments updates some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

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

#### **Amendment to IFRS 3 – Definition of a Business (Effective for annual periods beginning on or after 1 January 2020)**

The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amended definition of business emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Moreover, the amendment adds a supplementary guidance and an optional concentration test.

The amendment has no material impact on the Group's financial statements.

#### **Amendments to IAS 1 and IAS 8 – Definition of Material (Effective for annual periods beginning on or after 1 January 2020)**

The amendment clarifies the definition of "material" and ensures that the definition is consistent across all IFRS Standards. The amended definition states, that information is material if omitting, misstating or



obscuring it could reasonably be expected to influence the decision that the primary users make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

**Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Effective for annual periods beginning on or after 1 January 2020)**

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform related to reference rates used as benchmarks for variable-interest rate instruments (interest-rate benchmarks such as interbank offered rates, mainly LIBOR). In addition, the amendments require companies to provide additional information to investors about their hedging relationship which are directly affected by these uncertainties. The amendments also deal with issues of replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements. There are also requirements regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

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, Amendments to Standards and Interpretations have been issued but are not yet effective for the period ended 31 December 2020 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 (not adopted by EU yet)), 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))**

The 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 (not adopted by EU yet))**

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.

**Amendment to IFRS 16 – Covid 19-Related Rent Concessions (Effective for annual reporting periods beginning on or after 1 July 2020)**

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 is not expected to have any 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 (not adopted by EU yet))**

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 are not expected to have any material impact on the Group's 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 EPPE Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except as described in Note 2(f).

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) Restatement of comparative information

In 2020, the Group identified an error in the measurement of provision for employee benefits in Gazel Energie Generation S.A.S. (part of EP France Group). The actuarial measurement of the provision did not reflect the commitment to provide electricity for below the market prices to certain former employees' potential survivors. The Group decided to correct the error by amending the acquisition accounting for EP France Group in 2019 (i.e. acquisition balance sheet as of 9 July 2019) and restating comparative information for 2019. For details of the restatement refer to Appendix 2 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position. Due to the fact that the opening balance as of 1 January 2019 remained unaffected, no restated consolidated statement of financial position as of 1 January 2019 was included.

In 2020, the Group changed the presentation of tax receivables other than current income tax and deferred tax. Other tax receivables previously included in line item „Tax receivables“ were reclassified to line item „Trade receivables and other assets“. The change has been made to align with the presentation requirements of IFRS. For details of the restatement refer to Appendix 2 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position.

#### (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 exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses 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 the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired entities and its subsidiaries and associates were under common control of Energetický a průmyslový holding, a.s. they were therefore excluded from the 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 treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the consideration paid by the EPPE Group and carrying values of net assets of the acquiree and original goodwill carried forward as at the date of acquisition by the EPPE Group were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in equity. Note 5 – Acquisitions and disposals of subsidiaries, joint ventures and associates summarises the effects of all common control transactions in both periods.

***viii. 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, special purpose entities, 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(c) 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 33 – 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.

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 use 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. 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 and 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 majority of financial derivatives are held for hedging purposes but do not meet the criteria for hedge accounting as stated by IFRS 9. These derivatives are held 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. Most 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.

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) and deferred tax assets (refer to accounting policy (o) – 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. 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)*

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*

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.

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 (p) – 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. 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.

#### *iii. 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.

The estimated useful lives are as follows:

• Buildings and structures	7 – 45 years
• Machinery, electric generators, gas producers, turbines and boilers	7 – 30 years
• Mines and mine property	15 – 30 years
• Machinery and equipment	4 – 30 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 cost of an acquisition over the fair value of the Group's share 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 is included in the carrying amount of investments in associates.

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 2020 and 2019, 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 in accordance with IFRS 13. 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 allowances. 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<sub>2</sub> 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 allowances 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) **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 defined benefit plans (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.

Employee benefits provision is presented separately both long and short-term part (if possible to distinguish, otherwise as non-current, if not IFRS 5). The benefit could be classified as short-term, if and only if the whole benefit category will be settled within 1 year; otherwise, it must be disclosed as long-term.

#### *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 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 rights*

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> 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.

**(m) 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.

## **(n) 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 new 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.

Some sales transaction contains variable consideration. Sales transactions usually do not contain significant financing component.

The Group's identified following main sources of Revenue in scope of IFRS 15 (for complete source of Group's revenues refer to Note 6 – Sales):

- *Sale of electricity, gas, 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 actually volumes supplied.

Where the Group acts only as energy provider it was analysed if the distribution service invoiced is recognized 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.

- *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 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.

*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. In the separate accounts, the measurement is recognised in profit or loss from financial operations. For the purposes of Group reporting, where trading in commodity derivatives forms a significant part of the Group’s total trading activities, the measurement effect is recognised in “Gain (loss) from commodity derivatives for trading with electricity and gas, net”, a separate line item under “Total sales” for commodity derivatives with electricity and gas. 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.

**(o) 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.

**(p) 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.

**(q) 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.

**(r) Dividends**

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

**(s) 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.

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.

#### **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 market values or the income approach method. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The income approach method determines the value of property based on its ability to generate desired economic benefit for the owners. The key objective of the income based method is to determine the property value as a function of the economic benefit.

##### **(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) 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 cost to sell.

##### **(d) 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.

##### **(e) 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.

##### **(f) 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 government bonds).

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).

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. Acquisitions and disposals of subsidiaries and associates

On 15 December 2016 EPPE acquired from EPH 100% share in EP United Kingdom, s.r.o. (“EP UK”)<sup>(1)</sup> for EUR 33 million and 100% share in EP Commodities (“EPC”) for EUR 27 million, on 9 February 2017 acquired a 100% share in EPPE Italy, N.V. (former Czech Gas Holding N.V.) (“EPPE Italy”)<sup>(2)</sup> for EUR 481 million and on 15 December 2017 acquired through its subsidiary EPPE Germany, a.s. 90% share in JTSD – Braunkohlebergbau GmbH (“JTSD”) for EUR 133 million.

For the purpose of preparation of these consolidated financial statements, the entities acquired as part of acquisition of shares in EP UK, EPC, EPPE Italy and JTSD are presented in the consolidated financial statements of the Company from the original date of acquisition under the scope of IFRS 3 by the parent company Energetický a průmyslový holding, a.s. From the view of the EPPE Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. The consideration paid or payable by the EPPE Group is presented as a decrease of Other capital reserves in Equity.

(1) EP United Kingdom, s.r.o. merged with EP Power Europe, a.s. as at 1 May 2017. EP Power Europe, a.s. is the successor company.

(2) EPPE Italy, N.V. merged with EP Power Europe, a.s. as at 1 January 2019 (the merger was registered on 27 December 2019, with 1 January 2019 as an effective date). EP Power Europe, a.s. is the successor company.

### (a) Acquisitions and step acquisitions

#### i. 31 December 2020

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
<b>New subsidiaries</b>			
Humbly Grove Energy Limited and its subsidiary (Humbly Grove)	20/03/2020	100	100

#### 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 storage gas 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.

#### ii. 31 December 2019

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
<b>New subsidiaries</b>			
Fusine Energia S.r.l.	07/02/2019	100	100
EP Kilroot Limited and EP Ballylumford Limited	12/06/2019	100	100
EP France S.A.S and its subsidiaries and associates (EP France Group)	09/07/2019	<sup>(1)</sup> 100/25	<sup>(1)</sup> 100/25
Tynagh Energy Limited	29/10/2019	80	80

(1) 25% indirect interest was acquired in associate company Société des Eaux de l'Est S.A.

#### Fusine Energia S.R.L.

On 7 February 2019, EPPE Group through the subsidiary EP New Energy Italia S.r.l. acquired Fusine Energia S.r.l. (“Fusine”) from Holcim Italia Group. The acquired company operated the biomass power plant in Fusine, province of Sondrio, with an installed capacity of 7 MW. The operation is part of the strategy of the Group to develop the renewable energy business. This is the third investment in biomass energy done by EPPE.

#### EP Kilroot Limited and EP Ballylumford Limited

On 12 June 2019, EP UK Investments Limited (“EPUKI”), a subsidiary of EP Power Europe, a.s., acquired generation assets at Ballylumford and Kilroot, with a combined installed capacity of 1.4 GW, in Northern



Ireland, from AES Corporation (“AES”). The acquisition includes a combined cycle gas turbine (“CCGT”), a battery storage facility, open cycle turbines and a coal fired power station. EPUKI acquired AES’ entire Northern Irish business including all assets, systems and key management and staff. This represents the first acquisition by EPPE into Northern Ireland’s energy market, which forms part of the all-island Irish market.

#### **EP France Group**

On 9 July 2019, EP Power Europe, a.s. and Uniper successfully concluded the negotiations announced at the end of December 2019 on the sale of Uniper’s activities in France.

The scope of the transaction included mainly Uniper’s French sales business, two gas-fired power plants in Saint-Avold (Lorraine), two coal-fired power plants in Saint-Avold and Gardanne (Provence), the biomass power plant “Provence 4 Biomasse” in Gardanne and wind and solar power plants. The activities and assets at these sites and at Uniper France’s headquarters in Colombes near Paris were fully transferred to EPPE on completion.

#### **Tynagh Energy Limited**

On 29 October 2019, EP UK Investments Limited has completed the acquisition of 80% of the shares of Tynagh Energy Limited from EFS Tynagh Holding Company Limited and GAMA Energy International BV, entities of GE Energy Financial Services and GAMA Holding A.S., respectively. Mountside Partners Limited remains a 20% shareholder.

Tynagh Energy Limited is an independent power producer in the Republic of Ireland and owns a 384MW Combined Cycle Power Plant in east Co. Galway. This is the first acquisition by EPPE in the Republic of Ireland and complements its existing portfolio in the United Kingdom.

#### **Acquisition of non-controlling interest**

On 19 January 2019 the Group acquired remaining 41.65% interest in Centro Energia Ferrara S.p.A. and Centro Energia Teverola S.p.A. The ownership of the Group increased to 100% as a result of the transaction.

**(b) Effect of acquisitions**

*i. 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*

	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2020 Total<sup>(1)</sup></b>
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)
<b>Net identifiable assets and liabilities</b>	<b>49</b>	<b>(32)</b>	<b>17</b>
Negative goodwill on acquisition of new subsidiaries			(9)
<b>Cost of acquisition</b>			<b>8</b>
Consideration paid, satisfied in cash (A)			8
<b>Total consideration transferred</b>			<b>8</b>
Less: Cash acquired (B)			3
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(5)</b>

*(1) Represents values at 100% share.*

*ii. 31 December 2019***Subsidiaries**

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited, EP France Group and Tynagh Energy Limited are provided in the following table.

*In millions of EUR*

	<b>Carrying amount restated<sup>(1)(2)</sup></b>	<b>Fair value adjustment</b>	<b>2019 Total restated<sup>(1)(2)</sup></b>
Property, plant, equipment, land, buildings	420	230	650
Intangible assets	36	33	69
Trade receivables and other assets	612	(9)	603
Financial instruments – assets	8	-	8
Inventories	136	(40)	96
Cash and cash equivalents	133	-	133
Restricted cash	7	-	7
Deferred tax asset	4	24	28
Provisions	(465)	(174)	(639)
Deferred tax liabilities	(19)	(66)	(85)
Loans and borrowings	(93)	50	(43)
Trade payables and other liabilities	(653)	29	(624)
<b>Net identifiable assets and liabilities</b>	<b>126</b>	<b>77</b>	<b>203</b>
Non-controlling interest			(12)
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(39)
<b>Cost of acquisition</b>			<b>152</b>
Consideration paid, satisfied in cash (A)			152
Purchase price liability			-
Consideration, other			-
<b>Total consideration transferred</b>			<b>152</b>
Less: Cash acquired (B)			133
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(19)</b>

(1) Represents values at 100% share.

(2) Restated 2019 comparative information include modification described in Note 3(a) – Restatement of comparative information and Appendix 2.

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 EPPE's portfolio;
- potential for synergic effects;
- the subsidiaries have an advantageous position within the market;
- subject industries are expected to grow in the future;

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, EPPE is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position of 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 and this resulted in historical goodwill in the total amount of EUR 41 million. For the development of historical goodwill, please refer to Note 16 – Intangible assets (including goodwill).

In 2020, the Group recognized gain on a bargain purchase 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.

In 2019, the Group recognized gain on a bargain purchase of EUR 39 million from the acquisition of Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.

Gain on a bargain purchase from the acquisition of Tynagh Energy Limited (EUR 21 million) is chiefly driven by the fact that the former shareholders were seeking exit from the investment due to change of asset risk profile from contracted asset to merchant asset and risks related to transformation from Single Electricity Market (SEM) to Integrated Single Electricity Market (I-SEM) introduced in October 2018. On the contrary, EPPE Group considered I-SEM to be an opportunity which would complement earlier acquisitions in Northern Ireland.

Gain on a bargain purchase from the acquisition of Uniper's energy assets in France (EUR 28 million) is driven by decision of the seller, German energy group Uniper, which considered the plan for coal exit by 2022 outlined by the French government, to have a negative effect on these assets. Uniper has concluded after strategic review to sell these assets considering the risks and negative outlook. For EPPE Group the acquisition was an opportunity to enter the French energy market, to diversify and expand its generation capacity including renewables and biomass, and opportunity to leverage its experience in managing assets approaching end of life cycle.

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.

<i>In millions of EUR</i>	<b>2020 Total</b>
Revenue of the acquirees recognised since the acquisition date	18
Profit (loss) of the acquirees recognised since the acquisition date	(3)

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised since the acquisition date	1,264
Profit (loss) of the acquirees recognised since the acquisition date	(10)

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 2020 or as at 1 January 2019); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

<i>In millions of EUR</i>	<b>2020 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2020*	17
Profit (loss) of the acquirees recognised in the year ended 31 December 2020*	1

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2019*	3,247
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	15

\* Before intercompany elimination; based on local statutory financial information.

For details on major acquisitions please refer also to Appendix 1 – Business combinations.

**(c) Business combinations – acquisition accounting 2020 and 2019**

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 EP Power Europe, 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.

Fair value adjustments resulting from business combinations in 2020 are presented in the following table:

<i>In millions of EUR</i>	<b>Property, plant and equipment</b>	<b>Provisions</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>			
Humbly Grove Energy Limited and its subsidiary	(37)	5	(32)
<b>Total</b>	<b>(37)</b>	<b>5</b>	<b>(32)</b>

Fair value adjustments resulting from business combinations in 2019 are presented in the following table:

<i>In millions of EUR</i>	<b>Property, plant and equipment</b>	<b>Intangible assets</b>	<b>Provisions</b>	<b>Other</b>	<b>Deferred tax asset/(liability)</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>						
EP Kilroot Limited and EP Ballylumford Limited	99	-	(123)	(18)	<sup>(1)</sup> 7	(35)
EP France S.A.S and its subsidiaries and associates (EP France Group)	182	33	(51)	54	(56)	162
Tynagh Energy Limited	(51)	-	-	(6)	7	(50)
	<b>230</b>	<b>33</b>	<b>(174)</b>	<b>30</b>	<b>(42)</b>	<b>77</b>

(1) Represents increase in deferred tax asset and decrease in deferred tax liability.

The fair value adjustments resulting from the purchase price allocation of Fusine Energia S.r.l. were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combination in 2019.

**(d) Disposal of investments****i. 31 December 2020**

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:

<i>In millions of EUR</i>	<b>Net assets sold in 2020</b>
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
<b>Net identifiable assets and liabilities</b>	<b>(144)</b>
<b>Net assets value disposed</b>	<b>(144)</b>
<b>Gain (loss) on disposal</b>	<b>36</b>

**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.

**ii. 31 December 2019**

On 26 March 2019, in connection with the termination of the liquidation process of Energy Scanner Ltd. the company was dissolved from the Commercial Register and deconsolidated without any significant impact on the Group’s financial statements.

On 1 January 2019, an internal reorganization involving NADURENE a.s. took place. Assets, liabilities and equity of NADURENE a.s., including interest in subsidiary companies EP New Energy Italia S.r.l. and Biomasse Servizi S.r.l., were split into 49% and 51% share respectively. 51% share subsequently merged with EP Power Europe, a.s. and 49% share demerged into separate company NADURENE 2, a.s. in which EP Power Europe, a.s. held 100% interest as at the effective date of reorganization.

On 31 June 2019, EP Power Europe, a.s. sold 100% share in NADURENE 2, a.s. to Lausitz Energie Bergbau AG (“LEB”), a joint-venture company in which the Group owns 50% interest. As a result of this transaction, the Group lost control of NADURENE 2, a.s. and started to recognize its interest in NADURENE 2, a.s. as an equity accounted investee. Full method of consolidation of EP New Energy Italia S.r.l. and its subsidiary companies and Biomasse Servizi S.r.l. has not been affected after the sale as EP Power Europe, a.s. has retained 51% interest (75.5% effective ownership interest of the Group) as well as management control over the companies.

EPPE Group recognised non-controlling interest of EUR 8 million as a result of the transaction. As the consideration was received by the EPPE Group from its 50% equity accounted investee, half of the consideration represented a transfer within the Group with no impact on equity. The difference between remaining 50% of the consideration received and non-controlling interest recognised of EUR 28 million was recorded directly in equity. LEAG Group’s share in EP New Energy Italia S.r.l. and its subsidiary companies and Biomasse Servizi S.r.l. was not included in carrying amount of LEAG Group to prevent double counting, which led to a decrease in the carrying amount of LEAG Group by EUR 36 million.

## 6. Sales

<i>In millions of EUR</i>	<b>2020</b>	<b>2019 restated<sup>(1)</sup></b>
<b>Sales: Energy</b>		
<i>of which: Electricity</i>	3,903	3,744
<i>Gas</i>	751	966
<i>Coal</i>	210	216
<i>Heat</i>	3	3
<i>Other</i>	10	4
<b>Total Energy</b>	<b>4,877</b>	<b>4,933</b>
<b>Sales: Logistics and freight services</b>	<b>176</b>	<b>-</b>
<b>Sales: Other</b>	<b>159</b>	<b>170</b>
<b>Total Revenues from customers</b>	<b>5,212</b>	<b>5,103</b>
<b>Gain (loss) from commodity derivatives for trading with electricity and gas, net</b>	<b>65</b>	<b>3</b>
<b>Total</b>	<b>5,277</b>	<b>5,106</b>

(1) Restated 2019 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

Other sales are represented mainly by sales of gypsum, biomass, reimbursements of transportation and disposal costs, sewage sludge incineration, lignite dust, briquettes and restoration services to third parties.

In the following table, revenues are disaggregated by geographical location of delivery of goods and services.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
United Kingdom	1,365	1,433
Italy	1,298	1,152
Germany	975	885
France	648	557
Czech Republic	183	286
Switzerland	131	151
Ireland	104	22
Other	573	620
<b>Total</b>	<b>5,277</b>	<b>5,106</b>

In 2020 and 2019 no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

Contract liabilities primarily relate to deferred income arising from energy sales.

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Contract liabilities	-	119
<i>Current</i>	-	119
<i>Non-current</i>	-	-



**7. Cost of sales**

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
<b>Cost of Sales: Energy</b>		
<i>Cost of sold electricity</i>	1,341	1,342
<i>Cost of sold gas and other energy products</i>	991	1,236
<i>Consumption of fuel and other material</i>	933	988
<i>Consumption of energy</i>	7	11
<i>Other cost of sales</i>	159	124
<b>Total Energy</b>	<b>3,431</b>	<b>3,701</b>
<b>Cost of Sales: Other</b>		
<i>Other cost of goods sold</i>	214	43
<i>Other cost of sales</i>	27	25
<i>Consumption of material</i>	13	12
<i>Consumption of energy</i>	5	5
<i>Changes in WIP, semi-finished products and finished goods</i>	(3)	(5)
<b>Total Other</b>	<b>256</b>	<b>80</b>
<b>Total</b>	<b>3,687</b>	<b>3,781</b>

Cost of sales presented in the above table contains only cost of purchased energy and purchased materials consumed in producing energy output, it does not contain directly attributable overheads (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges etc.).

**8. Personnel expenses**

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Wages and salaries	228	211
Compulsory social security contributions	58	49
Expenses and revenues related to employee benefits (IAS 19)	19	17
Other social expenses	59	16
<b>Total</b>	<b>364</b>	<b>293</b>

The average number of employees during 2020 was 4,154 (2019: 4,225), of which 70 were executives (2019: 65).

**9. Emission rights**

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Profit (loss) from sale of emission rights	72	(21)
Creation of provision for emission rights	(370)	(321)
Gain (loss) from commodity derivatives for trading with emission rights, net	(47)	32
Deferred income (grant) released to profit and loss	16	5
Use of provision for emission rights	365	215
Consumption of emission rights	(365)	(215)
<b>Total</b>	<b>(329)</b>	<b>(305)</b>

The Ministries of the Environment of the Czech Republic, Germany, 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(l) iii – Provisions – Provision for emission rights for more details on accounting policies on emission rights.

The companies that participate in the emission rights programme are JTSD – Braunkohlebergbau GmbH, Helmstedter Revier GmbH, Kraftwerk Mehrum GmbH, 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.

## 10. Taxes and charges

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Carbon price support <sup>(1)</sup>	73	56
Property tax and real estate transfer tax	22	20
Electricity tax	6	7
Other taxes and charges expenses (income)	17	8
<b>Total</b>	<b>118</b>	<b>91</b>

(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.

## 11. Other operating income

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Tolling fee	17	15
Compensation from insurance companies	16	9
Consulting fees	14	19
Inventories surplus	4	6
Ecological tax reimbursement	4	5
Revenues from written off liabilities	3	6
Rental income	2	2
Contractual penalties	1	5
Profit from sale of material	1	1
Profit from disposal of tangible and intangible assets	-	4
Other	14	13
<b>Total</b>	<b>76</b>	<b>85</b>

## 12. Other operating expenses

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Office equipment and other material	60	56
Impairment losses	35	(7)
<i>Of which relates to:</i>		
<i>Inventories</i>	21	4
<i>Property, plant and equipment and intangible assets</i>	15	-
<i>Trade receivables and other assets</i>	(1)	(11)
Consulting expenses	30	30
Outsourcing and other administration fees	30	23
Insurance expenses	22	20
Rent expenses	12	13
Environmental expenses	12	11
Information technologies costs	12	8
Fees and commissions expense – intermediation	7	-
Security services	3	3
Gifts and sponsorship	3	2
Transport expenses	2	4
Re-transmission fee <sup>(1)</sup>	2	3
Training, courses, conferences	2	3
Loss on disposal of tangible and intangible assets	2	-
Communication expenses	1	2
Contractual penalties	1	1
Advertising expenses	1	1
Loss from written off receivables	1	-
Shortages and damages	-	1
Administrative expenses	-	1
Change in provisions, net	(3)	29
Other	40	35
<b>Total</b>	<b>275</b>	<b>239</b>

(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 2020 and 2019.

**13. Finance income and expense, profit (loss) from financial instruments****Recognised in profit or loss***In millions of EUR*

	2020	2019
Interest income	18	16
Net foreign exchange gain	-	7
Dividend income	1	-
Other finance income	-	1
<b>Finance income</b>	<b>19</b>	<b>24</b>
Interest expense incl. various financing and refinancing related fees	(33)	(41)
Interest expense from unwind of provision discounting	(8)	(10)
Fees and commissions expense for other services	(13)	(5)
Net foreign exchange loss	(5)	-
<b>Finance expense</b>	<b>(59)</b>	<b>(56)</b>
Profit (loss) from other derivatives for trading	9	11
Profit (loss) from interest rate derivatives for trading	(3)	(4)
Impairment losses/gains on financial assets <sup>(1)</sup>	12	(12)
Profit (loss) from the adjustment of the purchase price from acquisition after the measurement period	(4)	-
Profit (loss) from currency derivatives for trading	(1)	-
Profit (loss) from commodity derivatives for trading	2	-
<b>Profit (loss) from financial instruments</b>	<b>15</b>	<b>(5)</b>
<b>Net finance income (expense) recognised in profit or loss</b>	<b>(25)</b>	<b>(37)</b>

*(1) For details refer to Note 17 – Equity accounted investees and Note 29 – Financial instruments.***14. Income tax expenses****Income taxes recognised in profit or loss***In millions of EUR*

	2020	2019
<i>Current taxes:</i>		
Current year	(61)	(34)
Adjustment for prior periods	(1)	(3)
<b>Total current taxes</b>	<b>(62)</b>	<b>(37)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	9	6
<b>Total deferred taxes</b>	<b>9</b>	<b>6</b>
<b>Total income taxes (expense) benefit recognised in profit or loss</b>	<b>(53)</b>	<b>(31)</b>

*(1) For details refer to Note 18 – Deferred tax assets and liabilities.*

Balance of current income tax liability in amount of EUR 32 million (2019: EUR 7 million) is mainly represented by EP Produzione S.P.A. of EUR 28 million (2019: EUR 0 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:

Country	Tax rate	
	2020	2019
The Czech Republic	19%	19%
Germany	28.47% - 30.00%	28.47% - 30.00%
Italy	24%	24%
United Kingdom	19%	19%
Ireland	12.5%	12.5%
France	31% <sup>(1)</sup>	31% <sup>(1)</sup>

*(1) 28% rate applying to the first EUR 500,000 of taxable income.*

**Income tax recognised in other comprehensive income***In millions of EUR*

	<b>2020</b>		
	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
Foreign currency translation differences for foreign operations	35	-	35
Foreign currency translation differences from presentation currency	(46)	-	(46)
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	(45)	2	(43)
Fair value reserve included in other comprehensive income <sup>(1)</sup>	(21)	2	(19)
<b>Total</b>	<b>(77)</b>	<b>4</b>	<b>(73)</b>

(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*

	<b>2019</b>		
	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
Foreign currency translation differences for foreign operations	(11)	-	(11)
Foreign currency translation differences from presentation currency	18	-	18
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	(222)	3	(219)
Fair value reserve included in other comprehensive income	(25)	2	(23)
<b>Total</b>	<b>(240)</b>	<b>5</b>	<b>(235)</b>

(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.

The foreign currency translation differences related to non-controlling interest are presented under other comprehensive income attributable to non-controlling interest.

**Reconciliation of the effective tax rate***In millions of EUR*

	<b>2020</b>		<b>2019 restated<sup>(1)</sup></b>	
	<b>%</b>		<b>%</b>	
Profit before tax		301		283
Income tax using the Company's domestic rate (19%)	19%	57	19.0%	54
Effect of tax rates in foreign jurisdictions	2.3%	7	4.6%	13
Non-deductible expenses <sup>(2)</sup>	7.0%	21	5.7%	16
Other non-taxable income <sup>(3)</sup>	(15.9%)	(48)	(15.9%)	(45)
Change in tax rate	-	-	(1.7%)	(5)
Tax incentives	(2.3%)	(7)	(1.4%)	(4)
Current year losses for which no deferred tax asset was recognised	7.3%	22	0.3%	1
Recognition of previously unrecognised tax losses	-	-	(0.7%)	(2)
Withholding tax, income tax adjustments for prior periods	0.3%	1	1.0%	3
<b>Income taxes recognised in profit or loss</b>	<b>17.7%</b>	<b>53</b>	<b>10.9%</b>	<b>31</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

(2) The basis consists mainly of a permanent difference between local GAAP and IFRS for NBV of fixed assets and provisions in the amount of EUR 15 million (2019: EUR 20 million) and non-deductible interest expense in the amount of EUR 16 million (2019: EUR 6 million).

(3) The basis consists mainly of a share of profit of equity accounted investees of EUR 67 million (2019: EUR 135 million), reversal of provisions and allowances of EUR 35 million (2019: EUR 24 million), negative goodwill of EUR 10 million (2019: EUR 61 million), non-taxable interest income of EUR 11 million (2019: EUR 11 million), reversal of valuation allowance to financial investment in Ergosud S.P.A. in the amount of EUR 12 million and further of the profit from sale of investment in Kernaman S.A.S. of EUR 33 million.

## 15. Property, plant and equipment

*In millions of EUR*

	Land and buildings <sup>(1)</sup>	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost</b>					
<b>Balance at 1 January 2020</b>	<b>417</b>	<b>3,067</b>	<b>11</b>	<b>44</b>	<b>3,539</b>
Effects of movements in foreign exchange rates	(3)	(56)	-	-	(59)
Additions	8	84	1	57	150
Additions through business combinations <sup>(2)</sup>	2	44	-	-	46
Disposals	(1)	(19)	(1)	(2)	(23)
Disposed entities <sup>(3)</sup>	-	(268)	-	(46)	(314)
Transfer from inventories	-	11	-	-	11
Transfers	12	6	-	(18)	-
<b>Balance at 31 December 2020</b>	<b>435</b>	<b>2,869</b>	<b>11</b>	<b>35</b>	<b>3,350</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2020</b>	<b>(92)</b>	<b>(1,113)</b>	<b>(2)</b>	<b>-</b>	<b>(1,207)</b>
Effects of movements in foreign exchange rates	2	12	-	-	14
Depreciation charge for the year	(20)	(266)	(2)	-	(288)
Disposals	1	19	-	-	20
Disposed entities <sup>(3)</sup>	-	20	-	-	20
Impairment losses recognised in profit or loss	(6)	(5)	-	(1)	(12)
<b>Balance at 31 December 2020</b>	<b>(115)</b>	<b>(1,333)</b>	<b>(4)</b>	<b>(1)</b>	<b>(1,453)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2020</b>	<b>325</b>	<b>1,954</b>	<b>9</b>	<b>44</b>	<b>2,332</b>
<b>At 31 December 2020</b>	<b>320</b>	<b>1,536</b>	<b>7</b>	<b>34</b>	<b>1,897</b>

(1) Including right-of-use assets.

(2) Purchase of Humbly Grove Energy Limited

(3) Disposal of Kernaman S.A.S.

Notes to the consolidated financial statements of EP Power Europe, a.s. as at and for the year ended 31 December 2020

<i>In millions of EUR</i>	<b>Land and buildings<sup>(1)</sup></b>	<b>Technical equipment, plant and machinery<sup>(1)</sup></b>	<b>Other equipment, fixtures and fittings</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 31 December 2018</b>	<b>318</b>	<b>2,361</b>	<b>4</b>	<b>26</b>	<b>2,709</b>
Adjustment for change in accounting policy (IFRS 16)	5	9	-	-	14
<b>Balance at 1 January 2019</b>	<b>323</b>	<b>2,370</b>	<b>4</b>	<b>26</b>	<b>2,723</b>
Effects of movements in foreign exchange rates	1	54	-	1	56
Additions	7	98	1	35	141
Disposals	(1)	(30)	-	-	(31)
Additions through business combinations <sup>(2)</sup>	81	543	6	20	650
Transfers	6	32	-	(38)	-
<b>Balance at 31 December 2019</b>	<b>417</b>	<b>3,067</b>	<b>11</b>	<b>44</b>	<b>3,539</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2019</b>	<b>(77)</b>	<b>(879)</b>	<b>(1)</b>	<b>-</b>	<b>(957)</b>
Effects of movements in foreign exchange rates	-	(8)	-	-	(8)
Depreciation charge for the year	(15)	(245)	(1)	-	(261)
Disposals	-	19	-	-	19
<b>Balance at 31 December 2019</b>	<b>(92)</b>	<b>(1,113)</b>	<b>(2)</b>	<b>-</b>	<b>(1,207)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2019</b>	<b>246</b>	<b>1,491</b>	<b>3</b>	<b>26</b>	<b>1,766</b>
<b>At 31 December 2019</b>	<b>325</b>	<b>1,954</b>	<b>9</b>	<b>44</b>	<b>2,332</b>

(1) Including right-of-use assets.

(2) Purchase of Fusine Energia S.r.L., EP Kilroot Limited and EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.

**Idle assets**

As at 31 December 2020 and 31 December 2019, the Group had no significant idle assets.

**Security**

As at 31 December 2020, property, plant and equipment with carrying value of EUR 700 million (2019: EUR 892 million) is subject to pledges from financial indebtedness.



## 16. Intangible assets (including goodwill)

*In millions of EUR*

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2020</b>	<b>68</b>	<b>23</b>	<b>94</b>	<b>166</b>	<b>7</b>	<b>358</b>
Effect of movements in foreign exchange rates	(2)	-	(1)	(2)	-	(5)
Additions	-	3	362	-	4	369
Disposals	-	-	(365)	-	-	(365)
Transfers	-	1	-	-	(1)	-
<b>Balance at 31 December 2020</b>	<b>66</b>	<b>27</b>	<b>90</b>	<b>164</b>	<b>10</b>	<b>357</b>

### Amortisation and impairment losses

<b>Balance at 1 January 2020</b>	<b>(27)</b>	<b>(15)</b>	<b>-</b>	<b>(88)</b>	<b>-</b>	<b>(130)</b>
Effect of movements in foreign exchange rates	2	-	-	-	-	2
Amortisation for the year	-	(5)	-	(15)	-	(20)
Impairment losses recognised in profit or loss	-	-	-	-	(3)	(3)
<b>Balance at 31 December 2020</b>	<b>(25)</b>	<b>(20)</b>	<b>-</b>	<b>(103)</b>	<b>(3)</b>	<b>(151)</b>

### Carrying amount

<b>At 1 January 2020</b>	<b>41</b>	<b>8</b>	<b>94</b>	<b>78</b>	<b>7</b>	<b>228</b>
<b>At 31 December 2020</b>	<b>41</b>	<b>7</b>	<b>90</b>	<b>61</b>	<b>7</b>	<b>206</b>

*In millions of EUR*

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2019</b>	<b>68</b>	<b>19</b>	<b>24</b>	<b>130</b>	<b>3</b>	<b>244</b>
Effect of movements in foreign exchange rates	-	-	1	2	(1)	2
Additions	-	2	250	-	2	254
Disposals	-	-	(206)	-	(5)	(211)
Additions through business combinations <sup>(1)</sup>	-	2	25	34	8	69
<b>Balance at 31 December 2019</b>	<b>68</b>	<b>23</b>	<b>94</b>	<b>166</b>	<b>7</b>	<b>358</b>

### Amortisation and impairment losses

<b>Balance at 1 January 2019</b>	<b>(27)</b>	<b>(11)</b>	<b>-</b>	<b>(72)</b>	<b>-</b>	<b>(110)</b>
Effect of movements in foreign exchange rates	-	-	-	-	-	-
Amortisation for the year	-	(4)	-	(16)	-	(20)
Disposals	-	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>(27)</b>	<b>(15)</b>	<b>-</b>	<b>(88)</b>	<b>-</b>	<b>(130)</b>

### Carrying amount

<b>At 1 January 2019</b>	<b>41</b>	<b>8</b>	<b>24</b>	<b>58</b>	<b>3</b>	<b>134</b>
<b>At 31 December 2019</b>	<b>41</b>	<b>8</b>	<b>94</b>	<b>78</b>	<b>7</b>	<b>228</b>

(1) Purchase of EP Kilroot Limited and EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.

In 2020, EPPE Group purchased emission allowances of EUR 357 million (2019: EUR 245 million). Emission allowances of EUR 5 million (2019: EUR 5 million) were 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 and capacity market certificates.

All intangible assets, excluding goodwill, were recognised as assets with definite useful life.

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 2020 and 2019.

### **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):

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Biomasse Crotone S.P.A.	20	20
Biomasse Italia S.P.A.	16	16
Helmstedter Revier GmbH	5	5
<b>Total goodwill</b>	<b>41</b>	<b>41</b>

The balance of goodwill has not changed in 2020 (2019: no change).

### **Goodwill and impairment testing**

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. 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:

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% (2019: 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, CO<sub>2</sub> 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 rate ranged from 4.67% to 7.55% (2019: 4.98% to 8.01%).

The 2020 year testing showed no need for impairment as no CGU with the recoverable value lower than the carrying value including goodwill was identified (2019: no need for impairment).

## 17. Equity accounted investees

The Group has the following investments in associates and joint ventures:

*In millions of EUR*

		<b>Ownership 31 December 2020</b>	<b>Carrying amount 31 December 2020</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group <sup>(1)</sup>	(2)	50.00	659
Kraftwerk Schkopau GbR	Germany	41.90	61
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
<b>Total</b>		<b>-</b>	<b>805</b>

*In millions of EUR*

		<b>Ownership 31 December 2019</b>	<b>Carrying amount 31 December 2019</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group <sup>(1)</sup>	(2)	50.00	623
Kraftwerk Schkopau GbR	Germany	41.90	66
Ergosud S.P.A.	Italy	50.00	49
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	21
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	4
<b>Total</b>		<b>-</b>	<b>763</b>

(1) Refer to Note 35 – Group entities for detail of entities included in LEAG Group.

(2) Country of incorporation varies, for details refer to Note 35 – Group entities.

### LEAG Group

In 2019, EP Power Europe, a.s. sold 100% share in NADURENE 2, a.s. (and indirect 49% share in subsidiaries held by NADURENE 2, a.s.) to LEAG Group. Subsidiaries held by NADURENE 2, a.s. remain fully consolidated by EPPE Group. LEAG Group's share in EP New Energy Italia S.r.l. and its subsidiary companies and Biomasse Servizi S.r.l. is not included in carrying amount of LEAG Group to prevent double counting, which led to a decrease in the carrying amount of LEAG Group by EUR 36 million.

In 2020, NADURENE 2, a.s. merged with Lausitz Energie Bergbau AG (part of LEAG Group). After the merger LEAG Group holds 49% direct share in EP New Energy Italia S.r.l. and its subsidiary companies and Biomasse Servizi S.r.l. For details refer to Note 5(d) – Disposal of investments and Note 35 – Group entities.

### Ergosud S.P.A.

In 2019, the Group reported a valuation allowance of EUR 12 million (2018: EUR 0 million) to its financial investment in Ergosud S.p.A., which was recorded as a result of the impairment test carried out as at 31 December 2019. The impairment test reflected the new commercial agreement that established a lower tolling fee that Ergosud S.p.A. will receive for using of its production capacity from the tollers. The carrying amount of the investment in Ergosud S.p.A. as at 31 December 2019 therefore decreased to EUR 49 million. In 2020, the valuation allowance was released in full as a result of expected increase in discounted cash flows.

The Group has the following shares in the profit (loss) of associates and joint ventures:

*In millions of EUR*

		<b>Ownership 31 December 2020</b>	<b>Share of profit (loss) 2020</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group	(1)	50.00	63
Ergosud S.P.A.	Italy	50.00	2
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	4
Kraftwerk Schkopau GbR	Germany	41.90	(2)
<b>Total</b>		<b>-</b>	<b>67</b>

(1) Country of incorporation varies, for details refer to Note 35 – Group entities.

In millions of EUR

		<b>Ownership</b> <b>31 December 2019</b>	<b>Share of</b> <b>profit (loss) 2019</b>
<b>Associates and joint ventures</b>	<b>Country</b>	<b>%</b>	
LEAG Group	<sup>(1)</sup>	50.00	131
Ergosud S.P.A.	Italy	50.00	3
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	3
Kraftwerk Schkopau GbR	Germany	41.90	(2)
<b>Total</b>		<b>-</b>	<b>135</b>

(1) Country of incorporation varies, for details refer to Note 35 – Group entities.

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 31 December 2020 and 2019 and for the years then ended.

In millions of EUR	<b>2020</b>	<b>2019</b>
<b>Statement of financial position information</b>		
<b>Total assets</b>	<b>6,122</b>	<b>5,724</b>
Non-current assets	2,822	2,328
Current assets	3,300	3,396
of which: cash and cash equivalents	388	1,208
other current assets	2,912	2,188
<b>Total liabilities</b>	<b>4,804</b>	<b>4,479</b>
Non-current liabilities	3,345	2,902
of which: financial liabilities (excluding trade payables)	30	16
other non-current liabilities	3,315	2,886
Current liabilities	1,459	1,577
of which: financial liabilities (excluding trade payables)	73	966
other current liabilities	1,386	611
<b>Equity</b>	<b>1,318</b>	<b>1,245</b>
<b>Statement of comprehensive income information</b>		
Revenues	2,523	2,340
of which: interest income	1	-
Depreciation and amortization	(268)	(258)
Interest expense	(33)	(52)
Income tax expense	(9)	-
<b>Profit (loss) for the year</b>	<b><sup>(1)</sup>134</b>	<b>262</b>
Other comprehensive income	(64)	(379)
<b>Total comprehensive income for the year</b>	<b>70</b>	<b>(117)</b>

(1) Includes dividends from EP New Energy Italia S.r.l. eliminated in calculation of share of profit (loss) attributable to the Group

Summary financial information for standalone associates, presented at 100% as at 31 December 2020 and for the year then ended.

In millions of EUR

	<b>Revenue</b>	<b>Profit (loss)</b>	<b>Other comprehensive income</b>	<b>Total comprehensive income</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
<b>Associates and joint ventures</b>							
Kraftwerk Schkopau GbR <sup>(1)</sup>	32	6	-	6	217	108	109
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	102	-	-	-	6	6	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	57	8	-	8	54	29	25
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	6	-	-	-	14	4	10
Ergosud S.P.A.	58	5	-	5	283	156	127
<b>Total</b>	<b>255</b>	<b>19</b>	<b>-</b>	<b>19</b>	<b>574</b>	<b>303</b>	<b>271</b>

(1) Data from standalone financial statements according to German GAAP.

*In millions of EUR*

	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Associates and joint ventures</b>				
Kraftwerk Schkopau GbR <sup>(1)</sup>	3	214	107	1
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	6	-	6
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	23	31	20	9
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	13	1	2	2
Ergosud S.P.A.	208	75	103	53
<b>Total</b>	<b>247</b>	<b>327</b>	<b>232</b>	<b>71</b>

*(1) Data from standalone financial statements according to German GAAP.*

Summary financial information for standalone associates presented at 100% as at 31 December 2019 and for the year then ended.

*In millions of EUR*

	Revenue	Profit (loss)	Other compre- hensive income	Total compre- hensive income	Assets	Liabilities	Equity
<b>Associates and joint ventures</b>							
Kraftwerk Schkopau GbR <sup>(1)</sup>	31	7	-	7	215	106	109
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	105	-	-	-	7	7	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	59	7	-	7	60	30	30
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	5	-	-	-	14	4	10
Ergosud S.P.A.	36	7	-	7	272	150	122
<b>Total</b>	<b>236</b>	<b>21</b>	<b>-</b>	<b>21</b>	<b>568</b>	<b>297</b>	<b>271</b>

*(1) Data from standalone financial statements according to German GAAP.*

*In millions of EUR*

	Non-current assets	Current assets	Non-current liabilities	Current liabilities
<b>Associates and joint ventures</b>				
Kraftwerk Schkopau GbR <sup>(1)</sup>	5	210	105	1
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	7	-	7
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	26	34	19	11
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	14	-	1	3
Ergosud S.P.A.	224	48	124	26
<b>Total</b>	<b>269</b>	<b>299</b>	<b>249</b>	<b>48</b>

*(1) Data from standalone financial statements according to German GAAP.*

## 18. Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

The following deferred tax assets and (liabilities) have been recognised:

<i>In millions of EUR</i>	31 December 2020	31 December 2020	31 December 2020	31 December 2019	31 December 2019	31 December 2019
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	20	(80)	(60)	24	(94)	(70)
Intangible assets	1	(16)	(15)	6	(21)	(15)
Investment securities at amortised cost	-	-	-	-	(2)	(2)
Inventories	9	-	9	4	-	4
Provisions	84	-	84	83	-	83
Employee benefits (IAS 19)	(4)	(15)	(19)	1	(14)	(13)
Tax losses	5	-	5	27	-	27
Derivatives	63	(84)	(21)	1	(33)	(32)
Other items	78	(62)	16	50	(54)	(4)
<b>Subtotal</b>	<b>256</b>	<b>(257)</b>	<b>(1)</b>	<b>196</b>	<b>(218)</b>	<b>(22)</b>
Set-off tax	(196)	196	-	(128)	128	-
<b>Total</b>	<b>60</b>	<b>(61)</b>	<b>(1)</b>	<b>68</b>	<b>(90)</b>	<b>(22)</b>

### Movements in deferred tax during the year

*In millions of EUR*

Balances related to:	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movements in foreign exchange rate	Disposed entities <sup>(1)</sup>	Transfer	Balance at 31 December 2020
Property, plant and equipment	(70)	8	-	1	-	1	(60)
Intangible assets	(15)	-	-	-	-	-	(15)
Investment securities at amortised cost	(2)	2	-	-	-	-	-
Inventories	4	5	-	-	-	-	9
Provisions	83	(1)	1	1	-	-	84
Employee benefits (IAS 19)	(13)	(6)	1	(1)	-	-	(19)
Tax losses	27	(21)	-	(1)	-	-	5
Derivatives	(32)	8	2	1	-	-	(21)
Other	(4)	14	-	(2)	9	(1)	16
<b>Total</b>	<b>(22)</b>	<b>9</b>	<b>4</b>	<b>(1)</b>	<b>9</b>	<b>0</b>	<b>(1)</b>

(1) Disposal of Kernaman S.A.S. of EUR 9 million.

*In millions of EUR*

<b>Balances related to:</b>	<b>Balance at 1 January 2019</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>Acquired in business combinations<sup>(1)</sup></b>	<b>Effect of movements in foreign exchange rate</b>	<b>Balance at 31 December 2019</b>
Property, plant and equipment	(37)	(7)	-	(26)	-	(70)
Intangible assets	(2)	(4)	-	(9)	-	(15)
Investment securities at amortised cost	(3)	-	-	-	1	(2)
Inventories	3	1	-	1	(1)	4
Provisions	88	(5)	-	-	-	83
Employee benefits (IAS 19)	-	1	2	(16)	-	(13)
Trade receivables and other assets	-	(1)	-	1	-	-
Loans and borrowings	2	(1)	-	-	(1)	-
Tax losses	13	13	-	-	1	27
Derivatives	(28)	(5)	3	-	(2)	(32)
Other	(9)	14	-	(8)	(1)	(4)
<b>Total</b>	<b>27</b>	<b>6</b>	<b>5</b>	<b>(57)</b>	<b>(3)</b>	<b>(22)</b>

*(1) The purchase of Fusine Energia S.r.L., EP Kilroot Limited and EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.*

## Unrecognised deferred tax assets

A deferred tax asset has not been recognised in respect of the following items:

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Tax losses carried forward	1,112	865
<b>Total</b>	<b>1,112</b>	<b>865</b>

A deferred tax asset that has not been recognised in respect of the tax losses is attributable to the following entities:

<i>In millions of EUR</i>	31 December 2020	31 December 2019
EP France S.A.S. and its subsidiaries	1,045	862
EPPE Germany a.s.	3	3
Humbly Grove Energy Limited	64	-
<b>Total</b>	<b>1,112</b>	<b>865</b>

Considering the nature of revenues and expenses, the companies do not expect significant taxable profit growth, so no deferred tax asset was recognised. If sufficient taxable profit were to be achieved in 2020, then the associated tax income (savings) would be up to EUR 337 million (2019: EUR 268 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:

	2021	2022	2023	2024	After 2025	Total
<b>Tax losses</b>	1	-	-	-	1,111	<b>1,112</b>

Tax losses expire over a period of 5 years in the Czech Republic, 9 years in the Netherlands for standard tax losses and indefinitely in France and the United Kingdom. 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.

## 19. Inventories

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Inventories for trading held at fair value	101	-
Fossil fuel	97	124
Spare parts	69	96
Raw material and supplies	62	60
Overburden	20	31
Finished goods and merchandise	15	8
Work in progress	1	1
<b>Total</b>	<b>365</b>	<b>320</b>

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 2020, inventories in the amount of EUR 57 million were subject to pledges (2019: EUR 43 million).



## 20. Trade receivables and other assets

<i>In millions of EUR</i>	31 December 2020	31 December 2019 restated <sup>(1)</sup>
Trade receivables	553	590
Uninvoiced supplies	91	104
Margin of stock exchange derivatives	119	55
Advance payments	41	33
Value added tax receivables	60	141
Other tax receivables	13	13
Subsidies related to renewable energy	37	52
Other accrued income	53	34
Estimated receivables	7	8
Other receivables and assets	87	31
Allowance for bad debts	(5)	(6)
<b>Total</b>	<b>1,056</b>	<b>1,055</b>
<i>Non-current</i>	67	113
<i>Current</i>	989	942
<b>Total</b>	<b>1,056</b>	<b>1,055</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

In 2020, no receivables were written-off through profit or loss (2019: EUR 0 million).

As at 31 December 2020, trade receivables with a carrying value of EUR 238 million are subject to pledges (2019: EUR 204 million).

As at 31 December 2020, trade receivables and other assets amounting EUR 1,056 million are not past due (2019: EUR 1,056 million), remaining balance of EUR 0 million is overdue (2019: EUR 10 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables excluding construction work in progress is disclosed in Note 33 – Risk management policies and disclosures.

## 21. Cash and cash equivalents

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Current accounts with banks	562	472
<b>Total</b>	<b>562</b>	<b>472</b>

As at 31 December 2020, cash equivalents of EUR 94 million are subject to pledges (2019: EUR 99 million). The pledged cash is readily available to the EPPE Group and does not represent restricted cash.

## 22. Restricted cash

As at 31 December 2020, the balance of restricted cash is represented mainly by EUR 15 million (2019: EUR 15 million) representing 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. EUR 11 million represent cash on debt service reserve accounted by EP UK Finance Limited (2019: EUR 20 million). Remaining balance of EUR 5 million includes mainly collateral for electricity market.

As at 31 December 2020 restricted cash of EUR 26 million are subject to pledges (2019: EUR 36 million).

## 23. Equity

### Share capital and share premium

The authorised, issued and fully paid share capital as at 31 December 2020 consisted of 117,631 ordinary shares with a par value of CZK 200 thousand each (2019: 117,631 shares with a par value of CZK 200 thousand each).

On 27 December 2019 EP Power Europe, a.s. merged with EPPE Italy N.V. The merger resulted in an increase in the Company's share capital by CZK 8,923 million (EUR 350 million) by issuing additional 44,617 ordinary shares with a par value of CZK 200 thousand each.

The shareholders are entitled to receive dividends and to cast 1 vote per 200 thousand CZK share at meetings of the Company's shareholders.

31 December 2020	Number of shares	Ownership %	Voting rights %
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>

31 December 2019	Number of shares	Ownership %	Voting rights %
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>

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 2020
Shares outstanding at the beginning of the year	117,631
<b>Shares outstanding at the end of the year</b>	<b>117,631</b>
	Number of shares 2019
Shares outstanding at the beginning of the year	117,631
<b>Shares outstanding at the end of the year</b>	<b>117,631</b>

Reserves recognised in equity comprise the following items:

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Hedging reserve	272	315
Other capital funds from capital contributions <sup>(1)</sup>	115	102
Non-distributable reserves	12	12
Translation reserve	(16)	(5)
Fair value reserve	(55)	(36)
Other capital reserves	(848)	(848)
<b>Total</b>	<b>(520)</b>	<b>(460)</b>

(1) This balance includes non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding, a.s. in amount of EUR 13 million (2019: EUR 13 million).

### **Other capital reserves**

As stated in section 3 (b) vii – Pricing differences, the Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired entities and its subsidiaries and associates were under common control of Energetický a průmyslový holding, a.s. they were therefore excluded from the 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 treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the consideration paid by the EPPE Group and carrying values of net assets of the acquiree and original goodwill carried forward as at the date of acquisition by the EPPE Group were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity. Note 5 – Acquisitions and disposals of subsidiaries and associates summarises the effects of all common control acquisitions and disposals.

In 2019 other capital reserves decreased by EUR 350 million in relation to the process of the merger of the Company with its subsidiary EPPE Italy N.V. The merger resulted in an increase in the Company's share capital by EUR 350 million from the revaluation surplus arising from the merger. The difference between share capital increase and the revaluation surplus, that was fully eliminated from the Group's equity as it does not represent a change in control or in resources available to the Group, was recorded in other capital reserves.

### **Non-distributable reserves**

The legal reserve of EUR 12 million was reported as at 31 December 2020 (2019: EUR 12 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.

### **Fair value reserve**

The fair value reserve represents mainly the effect from revaluation of provisions for long-term employee benefits and assets in accordance with IAS19.

### **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 29 – Financial instruments and Note 33 – Risk management policies and disclosure).

## **24. Earnings per share**

### **Basic earnings per share**

Basic earnings per share in EUR per 1 share of CZK 200,000 nominal value equal 2,057 (restated 2019: 2,100).

The calculation of basic earnings per share as at 31 December 2020 was based on a profit attributable to ordinary shareholders of EUR 242 million (restated 2019: EUR 247 million), and a weighted average number of ordinary shares outstanding of 117,631 (2019: 117,631).

### Weighted average number of ordinary shares 2020

*In millions of shares*

	Nominal	Weighted
Issued ordinary shares at the beginning of the year	117,631	117,631
<b>Total</b>	<b>117,631</b>	<b>117,631</b>

### Weighted average number of ordinary shares 2019

*In millions of shares*

	Nominal	Weighted
Issued ordinary shares at the beginning of the year	73,014	73,014
Issued shares on 27 December 2019 (1 share/200 000 CZK) – common control transaction <sup>(1)</sup>	44,617	44,617
<b>Total</b>	<b>117,631</b>	<b>117,631</b>

*(1) Transaction does not represent increase in available resources, therefore it is reflected retrospectively in the calculation of weighted number of shares.*

### Dilutive earnings per share

As the Group issued no convertible debentures or other financial instruments with dilutive potential effects on ordinary shares, diluted earnings per share is the same as basic earnings per share.

## 25. Non-controlling interest

31 December 2020

*In millions of EUR*

	EP Produzione Centrale Livorno Ferraris S.P.A.	JTSD – Braunkohle- bergbau GmbH, its subsidiaries and associates	Tynagh Energy Limited	EP New Energy Italia S.r.l., its subsidiaries and associates	Other individually immaterial subsidiaries	Total
<b>Non-controlling percentage</b>	<b>25.00%</b>	<b>10.00%</b>	<b>20.00%</b>	<b>24.50%</b>		
Business activity	Production of electricity and heat	Coal mining and production of electricity	Production of electricity	Production of electricity		
Country	Italy	Germany	Ireland	Italy		
<b>Carrying amount of NCI at 31 December 2020</b>	<b>39</b>	<b>3</b>	<b>13</b>	<b>9</b>	<b>5</b>	<b>69</b>
<b>Profit (loss) attributable to non- controlling interest</b>	<b>1</b>	<b>(5)</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Dividends declared</b>	<b>(5)</b>	<b>-</b>	<b>(1)</b>	<b>(4)</b>	<b>(1)</b>	<b>(11)</b>
<b>Statement of financial position information<sup>(1)</sup></b>						
Total assets	199	654	92	252		
<i>of which: non-current</i>	128	477	77	134		
<i>current</i>	71	177	15	118		
Total liabilities	45	594	29	218		
<i>of which: non-current</i>	11	379	10	102		
<i>current</i>	31	215	19	116		
<b>Net assets</b>	<b>154</b>	<b>60</b>	<b>63</b>	<b>34</b>		
<b>Statement of comprehensive income information<sup>(1)</sup></b>						
Total revenues	174	391	102	157		
<i>of which: dividends received</i>	-	-	-	-		
Profit after tax	3	(46)	6	15		
<b>Total comprehensive income for the year<sup>(1)</sup></b>	<b>3</b>	<b>(46)</b>	<b>6</b>	<b>6</b>		
<b>Net cash inflows (outflows)<sup>(1)</sup></b>	<b>(2)</b>	<b>2</b>	<b>(14)</b>	<b>(25)</b>		

*(1) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.*

31 December 2019

*In millions of EUR*

**Non-controlling percentage**

Business activity

Country

**Carrying amount of NCI at 31 December 2019**

**Profit (loss) attributable to non-controlling interest**

**Dividends declared**

**Statement of financial position information<sup>(1)</sup>**

Total assets

*of which: non-current*

*current*

Total liabilities

*of which: non-current*

*current*

**Net assets**

**Statement of comprehensive income information<sup>(1)</sup>**

Total revenues

*of which: dividends received*

Profit after tax

**Total comprehensive income for the year<sup>(1)</sup>**

**Net cash inflows (outflows)<sup>(1)</sup>**

	EP Produzione Centrale Livorno Ferraris S.P.A.	JTSD – Braunkohle- bergbau GmbH, its subsidiaries and associates	Tynagh Energy Limited	EP New Energy Italia S.r.l., its subsidiaries and associates	Other individually immaterial subsidiaries	Total
<b>Non-controlling percentage</b>	<b>25.00%</b>	<b>10.00%</b>	<b>20.00%</b>	<b>24.50%</b>		
Business activity	Production of electricity and heat	Coal mining and production of electricity	Production of electricity	Production of electricity		
Country	Italy	Germany	Ireland	Italy		
<b>Carrying amount of NCI at 31 December 2019</b>	<b>42</b>	<b>7</b>	<b>13</b>	<b>9</b>	<b>3</b>	<b>74</b>
<b>Profit (loss) attributable to non-controlling interest</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>5</b>
<b>Dividends declared</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>
<b>Statement of financial position information<sup>(1)</sup></b>						
Total assets	211	754	111	245		
<i>of which: non-current</i>	138	535	68	142		
<i>current</i>	73	219	43	103		
Total liabilities	41	648	47	209		
<i>of which: non-current</i>	13	358	24	126		
<i>current</i>	28	290	23	83		
<b>Net assets</b>	<b>170</b>	<b>106</b>	<b>64</b>	<b>36</b>		
<b>Statement of comprehensive income information<sup>(1)</sup></b>						
Total revenues	248	423	23	146		
<i>of which: dividends received</i>	-	-	-	-		
Profit after tax	7	9	3	10		
<b>Total comprehensive income for the year<sup>(1)</sup></b>	<b>7</b>	<b>9</b>	<b>3</b>	<b>10</b>		
<b>Net cash inflows (outflows)<sup>(1)</sup></b>	<b>-</b>	<b>16</b>	<b>(19)</b>	<b>(11)</b>		

*(1) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.*

## 26. Loans and borrowings

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Loans payable to credit institutions	450	580
Loans payable to other than credit institutions	412	560
<i>of which loans payable to sole shareholder<sup>(1)</sup></i>	405	552
Revolving credit facility	103	62
Factoring loans	24	54
Lease liabilities	12	14
Bank overdraft	-	16
<b>Total</b>	<b>1,001</b>	<b>1,286</b>
<i>Non-current</i>	233	313
<i>Current</i>	768	973
<b>Total</b>	<b>1,001</b>	<b>1,286</b>

(1) As at 31 December 2020, the nominal amount of loans payable to sole shareholder amounts to EUR 409 million (31 December 2019: EUR 562 million). These amounts are disregarding accrued unamortized interest on interest-free loans as this interest will not cause future cash flows.

The weighted average interest rate on loans for 2020 was 1.69% (2019: 1.96%).

### Other loans and borrowings

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans as at 31 December 2020 were as follows:

<i>In millions of EUR</i>	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*	2023	237	227	10	-
Secured bank loan	GBP	variable*	2023	119	12	107	-
Secured bank loan	EUR	variable*	2025	94	23	71	-
Unsecured loan	GBP	fixed	2021	370	370	-	-
Unsecured loan	CZK	fixed	2021	28	28	-	-
Unsecured loan	EUR	fixed	2025	8	1	7	-
Unsecured loan	USD	fixed	2021	6	6	-	-
Revolving credit facility	GBP	variable*	2023	44	11	33	-
Revolving credit facility	EUR	variable*	2025	35	35	-	-
Revolving credit facility	USD	fixed	2021	20	20	-	-
Revolving credit facility	USD	variable*	2021	4	4	-	-
Factoring loan	EUR	fixed	2021	14	14	-	-
Factoring loan	EUR	variable*	2021	10	10	-	-
Lease liabilities	-	-	-	12	7	3	2
<b>Total interest-bearing liabilities</b>				<b>1,001</b>	<b>768</b>	<b>231</b>	<b>2</b>

\* Variable interest rate is derived as EURIBOR, LIBOR or Fedfunds plus a margin. All interest rates are market based.

Terms and conditions of outstanding loans as at 31 December 2019 were as follows:

<i>In millions of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31/12/19</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Unsecured bank loan	EUR	variable*	2020	225	225	-	-
Secured bank loan	GBP	variable*	2023	206	45	161	-
Secured bank loan	EUR	variable*	2025	149	47	84	18
Unsecured loan	GBP	fixed	2020	501	501	-	-
Unsecured loan	EUR	fixed	2025	36	28	5	3
Unsecured loan	CZK	fixed	2020	17	17	-	-
Unsecured loan	USD	fixed	2020	6	6	-	-
Revolving credit facility	GBP	variable*	2023	47	12	35	-
Revolving credit facility	EUR	variable*	2020	15	15	-	-
Factoring loan	EUR	variable*	2020	44	44	-	-
Factoring loan	EUR	fixed	2020	10	10	-	-
Bank overdraft	EUR	variable*	2020	16	16	-	-
Lease liabilities	-	-	-	14	7	5	2
<b>Total interest-bearing liabilities</b>				<b>1,286</b>	<b>973</b>	<b>290</b>	<b>23</b>

\* Variable interest rate is derived as EURIBOR or LIBOR plus a margin. All interest rates are market based.

### Fair value information

The fair value of interest-bearing instruments held at amortised costs is shown in the table below:

<i>In millions of EUR</i>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Loans payable to credit institutions	450	436	580	569
Loans payable to other than credit institutions	412	431	560	563
Revolving credit facility	103	106	62	62
Factoring loans	24	25	54	54
Lease liabilities	12	12	14	14
Bank overdraft	-	-	16	16
<b>Total</b>	<b>1,001</b>	<b>1,010</b>	<b>1,286</b>	<b>1,278</b>

Interest-bearing instruments held at amortised costs are categorised within Level 2 or Level 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:

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Investing activities	78	-
Financing activities	33	-
<b>Total</b>	<b>111</b>	<b>-</b>

For the year 2020 non-cash financing activity include partial set-off of loans with parent company (EPH) in amount of EUR 33 million and investing activity with set-off of loan against dividends to EPH amounting EUR 78 million. In 2019 there were no non-cash investing or financing activities.



## Reconciliation of movements of liabilities to cash flow arising from financing activities

In millions of EUR

	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft	Lease liabilities	Share capital/ premium	Reserves	Retained earnings	Non- controlling interest	Total
<b>Balance at 1 January 2020 (restated)<sup>(1)</sup></b>	<b>580</b>	<b>560</b>	<b>62</b>	<b>54</b>	<b>16</b>	<b>14</b>	<b>905</b>	<b>(460)</b>	<b>975</b>	<b>74</b>	<b>2,780</b>
<i>Changes from financing cash flows</i>											
Contribution to equity from shareholders	-	*(13)	-	-	-	-	-	13	-	-	-
Proceeds from loans and borrowings	6	49	76	12	-	-	-	-	-	-	143
Repayment of borrowings	(126)	(151)	(35)	(42)	(16)	-	-	-	-	-	(370)
Payment of lease liabilities	-	-	-	-	-	(5)	-	-	-	-	(5)
Dividend paid	-	-	-	-	-	-	-	-	-	(6)	(6)
<b>Total change from financing cash flows</b>	<b>(120)</b>	<b>115</b>	<b>41</b>	<b>(30)</b>	<b>(16)</b>	<b>(5)</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>(6)</b>	<b>(238)</b>
Changes arising from obtaining or losing of control of subsidiaries	(4)	-	-	-	-	2	-	-	1	-	(1)
Total effect of changes in foreign exchange rates	(13)	(27)	-	-	-	(1)	-	(11)	-	-	(52)
<i>Other changes</i>											
<b>Liability related</b>											
Interest expense	16	14	3	-	-	2	-	-	-	-	35
Interest paid	(10)	-	(3)	-	-	-	-	-	-	-	(13)
Other finance fees	-	13	-	-	-	-	-	-	-	-	13
Liability from dividends not paid	-	-	-	-	-	-	-	-	-	(5)	(5)
Set-off with loans provided	-	(33)	-	-	-	-	-	-	(78)	-	(111)
Total liability-related other changes	<b>6</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(78)</b>	<b>(5)</b>	<b>(81)</b>
Total equity-related other changes	-	-	-	-	-	-	-	(62)	242	6	186
<b>Balance at 31 December 2020</b>	<b>450</b>	<b>412</b>	<b>103</b>	<b>24</b>	<b>-</b>	<b>12</b>	<b>905</b>	<b>(520)</b>	<b>1,140</b>	<b>69</b>	<b>2,594</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

\* This balance relates to non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding, a.s.

*In millions of EUR*

	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft	Lease liabilities	Share capital/ premium	Reserves	Retained earnings	Non- controlling interest	Total
<b>Balance at 1 January 2019</b>	<b>600</b>	<b>420</b>	<b>56</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>555</b>	<b>109</b>	<b>701</b>	<b>59</b>	<b>2,543</b>
<i>Changes from financing cash flows</i>											
Transfer to non-distributable reserves – creation of legal fund	-	-	-	-	-	-	-	3	(3)	-	-
Contribution to equity from shareholders	-	*(13)	-	-	-	-	350	(337)	-	-	-
Proceeds from loans and borrowings	196	167	84	11	16	-	-	-	-	-	<b>474</b>
Repayment of borrowings	(260)	(42)	(81)	-	-	-	-	-	-	-	<b>(383)</b>
Transaction cost related to loans and borrowings	(6)	-	-	-	-	-	-	-	-	-	<b>(6)</b>
Payment of lease liabilities	-	-	-	-	-	(5)	-	-	-	-	<b>(5)</b>
Dividend paid	-	-	-	-	-	-	-	-	-	(4)	<b>(4)</b>
<b>Total change from financing cash flows</b>	<b>(70)</b>	<b>112</b>	<b>3</b>	<b>11</b>	<b>16</b>	<b>(5)</b>	<b>350</b>	<b>(334)</b>	<b>(3)</b>	<b>(4)</b>	<b>76</b>
Changes arising from obtaining or losing of control of subsidiaries	37	1	-	-	-	5	-	-	30	14	<b>87</b>
Total effect of changes in foreign exchange rates	11	14	3	-	-	-	-	18	-	-	<b>46</b>
<i>Other changes</i>											
<b>Liability related</b>											
Interest expense	24	14	-	-	-	2	-	-	-	-	<b>40</b>
Interest paid	(22)	(1)	-	-	-	(2)	-	-	-	-	<b>(25)</b>
Lease liability (impact of IFRS 16)	-	-	-	-	-	14	-	-	-	-	<b>14</b>
<b>Total liability-related other changes</b>	<b>2</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(253)</b>	<b>269</b>	<b>5</b>	<b>21</b>
<b>Balance at 31 December 2019</b>	<b>580</b>	<b>560</b>	<b>62</b>	<b>54</b>	<b>16</b>	<b>14</b>	<b>905</b>	<b>(460)</b>	<b>997</b>	<b>74</b>	<b>2,802</b>

\* This balance relates to non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding, a.s.

## 27. Provisions

<i>In millions of EUR</i>	<b>Employee benefits</b>	<b>Provision for emission rights</b>	<b>Onerous contracts</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning<sup>(5)</sup></b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2020<sup>(1)</sup></b>	<b>296</b>	<b>367</b>	<b>149</b>	<b>43</b>	<b>903</b>	<b>43</b>	<b>1,801</b>
Acquisitions through business combinations <sup>(2)</sup>	-	-	-	-	28	-	<b>28</b>
Provisions made during the year	83	370	-	2	65	18	<b>538</b>
Provisions used during the year	(35)	(365)	-	-	(30)	(5)	<b>(435)</b>
Provisions reversed during the year	(17)	-	(66)	(4)	(15)	(4)	<b>(106)</b>
Disposed entities <sup>(3)</sup>	(15)	(12)	-	-	(7)	-	<b>(34)</b>
Transfer	-	-	-	4	-	(4)	-
Unwinding of discount <sup>(4)</sup>	2	-	-	-	6	-	<b>8</b>
Effects of movements in foreign exchange rate	(3)	(5)	(6)	(1)	(3)	(1)	<b>(19)</b>
<b>Balance at 31 December 2020</b>	<b>311</b>	<b>355</b>	<b>77</b>	<b>44</b>	<b>947</b>	<b>47</b>	<b>1,781</b>
<i>Non-current</i>	<i>306</i>	<i>23</i>	<i>57</i>	<i>26</i>	<i>879</i>	<i>26</i>	<i>1,317</i>
<i>Current</i>	<i>5</i>	<i>332</i>	<i>20</i>	<i>18</i>	<i>68</i>	<i>21</i>	<i>464</i>

(1) Restated 2019 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

(2) The purchase of Humbly Grove Energy Limited.

(3) Disposal of Kernaman S.A.S.

(4) Unwinding of discount is included in interest expense.

(5) As at 31 December 2020, the balance in amount of EUR 436 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and its subsidiaries. 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 EP France and its subsidiaries. Remaining balance of EUR 98 million represents other decommissioning provisions.

<i>In millions of EUR</i>	<b>Employee benefits</b>	<b>Provision for emission rights</b>	<b>Onerous contracts</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning<sup>(4)</sup></b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	<b>92</b>	<b>208</b>	<b>11</b>	<b>16</b>	<b>699</b>	<b>12</b>	<b>1,038</b>
Acquisitions through business combinations <sup>(1)(2)</sup>	199	49	164	5	200	22	<b>639</b>
Provisions made during the year	40	321	-	23	53	21	<b>458</b>
Provisions used during the year	(36)	(215)	(26)	(1)	(34)	(3)	<b>(315)</b>
Provisions reversed during the year	(2)	-	(5)	-	(27)	(9)	<b>(43)</b>
Unwinding of discount <sup>(3)</sup>	1	-	-	-	9	-	<b>10</b>
Effects of movements in foreign exchange rate	2	4	5	-	3	-	<b>14</b>
<b>Balance at 31 December 2019 - restated<sup>(1)</sup></b>	<b>296</b>	<b>367</b>	<b>149</b>	<b>43</b>	<b>903</b>	<b>43</b>	<b>1,801</b>
<i>Non-current</i>	<i>269</i>	<i>14</i>	<i>103</i>	<i>25</i>	<i>858</i>	<i>29</i>	<i>1,298</i>
<i>Current</i>	<i>27</i>	<i>353</i>	<i>46</i>	<i>18</i>	<i>45</i>	<i>14</i>	<i>503</i>

(1) Restated 2019 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

(2) The purchase of Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited, EP France Group, Locon Group and Tynagh Energy Limited.

(3) Unwinding of discount is included in interest expense.

(4) As at 31 December 2019, the balance in amount of EUR 445 million represents mining related provisions recorded by JTSD - Braunkohlebergbau GmbH and its subsidiaries. The balance in amount of EUR 202 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. The balance in amount of EUR 177 million represents asset retirement costs recorded by EP France S.A and its subsidiaries. Remaining balance of EUR 79 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 311 million (restated 2019: EUR 296 million) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, Helmstedter Revier GmbH, Gazel Energie Generation S.A.S., Eggborough Power Limited, EP Ballylumford Limited, EP Produzione Centrale Livorno Ferraris S.P.A., EP Produzione S.P.A., Fiume Santo S.P.A., Kraftwerk Mehrum GmbH.

#### i. Helmstedter Revier GmbH

The provision recorded by Helmstedter Revier GmbH amounts to EUR 65 million (2019: EUR 52 million), of which EUR 30 million (2019: EUR 29 million) represents a defined benefit pension scheme and EUR 8 million (2019: EUR 14 million) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
<b>Plan A</b>		
Fair value of plan asset	33	32
Present value of obligations	(63)	(59)
<b>Total employee benefit</b>	<b>(30)</b>	<b>(27)</b>
<b>Plan B</b>		
Fair value of plan asset	-	1
Present value of obligations	-	(3)
<b>Total employee benefit</b>	<b>-</b>	<b>(2)</b>
<b>Early Retirement</b>		
Present value of obligations	(8)	(14)
<b>Total employee benefit</b>	<b>(8)</b>	<b>(14)</b>

#### Movements in the present value of defined benefit obligations

<i>In millions of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Early retirement</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>(59)</b>	<b>(3)</b>	<b>(14)</b>	<b>(76)</b>
Benefits paid by plan	1	-	6	7
Transfer <sup>(1)</sup>	(3)	3	-	-
Current service costs	(1)	-	-	(1)
Current interest costs	-	-	-	-
Actuarial gains (losses) recognised in other comprehensive income	(1)	-	-	(1)
<b>Balance at 31 December 2020</b>	<b>(63)</b>	<b>-</b>	<b>(8)</b>	<b>(71)</b>

(1) Transfer from Plan B to Plan A due to the merger of Terrakomp GmbH into Helmstedter Revier GmbH

<i>In millions of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Early retirement</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	<b>(49)</b>	<b>(2)</b>	<b>(22)</b>	<b>(73)</b>
Benefits paid by plan	1	-	8	9
Current service costs	(1)	-	-	(1)
Current interest costs	(1)	-	-	(1)
Actuarial gains (losses) recognised in other comprehensive income	(9)	(1)	-	(10)
<b>Balance at 31 December 2019</b>	<b>(59)</b>	<b>(3)</b>	<b>(14)</b>	<b>(76)</b>

**Movement in fair value of plan assets**

<i>In millions of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>32</b>	<b>1</b>	<b>33</b>
Contributions to plan assets	-	-	-
Transfer <sup>(1)</sup>	1	(1)	-
Expected return on plan assets	-	-	-
Actuarial gains (losses) recognised in other comprehensive income	-	-	-
<b>Balance at 31 December 2020</b>	<b>33</b>	<b>-</b>	<b>33</b>

(1) Transfer from Plan B to Plan A due to the merger of Terrakomp GmbH into Helmstedter Revier GmbH

<i>In millions of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	<b>30</b>	<b>1</b>	<b>31</b>
Contributions to plan assets	-	-	-
Expected return on plan assets	-	-	-
Actuarial gains (losses) recognised in other comprehensive income	2	-	2
<b>Balance at 31 December 2019</b>	<b>32</b>	<b>1</b>	<b>33</b>

**Expense recognised in profit and loss:**

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Current service costs	(1)	(1)
Current interest costs	-	(1)
<b>Total</b>	<b>(1)</b>	<b>(2)</b>

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

**As at 31 December 2020**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Early Retirement</b>
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.

**As at 31 December 2019**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Early Retirement</b>
Discount rate	0.54	0.54	0.00
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 185 million, of which EUR 185 million represents a defined benefit pension scheme.

The schedules below summarise information about the defined benefit obligations and plan assets.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
<b>Plan A</b>		
Fair value of plan asset	-	-
Present value of obligations	(53)	(53)
<b>Total employee benefit</b>	<b>(53)</b>	<b>(53)</b>
<b>Plan B</b>		
Fair value of plan asset	-	-
Present value of obligations	(1)	(5)
<b>Total employee benefit</b>	<b>(1)</b>	<b>(5)</b>
<b>Plan C</b>		
Fair value of plan asset	-	-
Present value of obligations	(130)	(122)
<b>Total employee benefit</b>	<b>(130)</b>	<b>(122)</b>
<b>Plan D</b>		
Fair value of plan asset	-	-
Present value of obligations	(1)	(2)
<b>Total employee benefit</b>	<b>(1)</b>	<b>(2)</b>

**Movement in the present value of defined benefit obligations**

<i>In millions of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Plan D</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>(53)</b>	<b>(5)</b>	<b>(122)</b>	<b>(2)</b>	<b>(182)</b>
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)
Disposal entities <sup>(1)</sup>	5	1	8	1	15
<b>Balance at 31 December 2020</b>	<b>(53)</b>	<b>(1)</b>	<b>(130)</b>	<b>(1)</b>	<b>(185)</b>

(1) Disposal of Kernaman S.A.S.

<i>In millions of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Plan D</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	<b>(48)</b>	<b>(5)</b>	<b>(100)</b>	<b>(2)</b>	<b>(155)</b>
Benefits paid by plan	3	-	1	-	4
Current service costs	(2)	-	(2)	-	(4)
Current interest costs	(1)	-	(2)	-	(3)
Actuarial gains (losses)	(5)	-	(19)	-	(24)
<b>Balance at 31 December 2019</b>	<b>(53)</b>	<b>(5)</b>	<b>(122)</b>	<b>(2)</b>	<b>(182)</b>



The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

**As at 31 December 2020**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Plan D</b>
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.

**As at 31 December 2019**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Plan D</b>
Discount rate	1.40	1.50	1.40	1.25
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	1.75	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.

**Provision for emission rights**

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> 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 44 million was recorded mainly by Gazel Energie Generation (EUR 26 million; 2019: EUR 25 million) and JTSD – Braunkohlebergbau GmbH (EUR 17 million; 2019: EUR 17 million).

For more details refer to Note 36 – Litigations and claims.

As disclosed in Note 36 – 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 2020 and 31 December 2019.

**Provision for restoration and decommissioning**

The provision of EUR 947 million (2019: EUR 903 million) was primarily recorded by JTSD – Braunkohlebergbau GmbH and its subsidiaries (EUR 436 million; 2019: EUR 445 million), Gazel Energie Generation S.A.S. (EUR 219 million, 2019: EUR 184 million), EP Produzione S.P.A. (EUR 112 million; 2019: EUR 116 million), Fiume Santo S.P.A. (EUR 82 million; 2019: EUR 83 million), Humbly Grove Energy Limited (EUR 28 million, 2019: EUR 0 million), Eggborough Power Limited (EUR 7 million; 2019: EUR 13 million), Kraftwerk Mehrum GmbH (EUR 12 million, 2019: EUR 12 million) and Lynemouth Power Limited (EUR 16 million; 2019: EUR 12 million).

*i. Germany (JTSD – Braunkohlebergbau GmbH and its subsidiaries)*

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 operations 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 2020, the provision for re-cultivation of both Schleenhain and Profen strip mines recorded by JTSD 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 2020, 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 0.13% (2019: 0.27%) and a discount rate in range between 0.07% – 0.82% (2019: range between 0.0% - 1.24%) were used to calculate the provisions in case of JTSD. 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 by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Increase of inflation rate by 1%	(80)	(90)
Decrease of inflation rate by 1%	65	72

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by JTSD by the amounts shown in the table below. Analyses of sensitivity is capped by 0%, therefore in case the discount rate would fall below 0%, 0% discount is used for analyses purposes.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Increase of discount rate by 1%	64	70
Decrease of discount rate by 1%	(54)	(85)

## ii. Italy (EP Produzione S.P.A. and Fiume Santo S.P.A.)

As at 31 December 2020, the provision recognised by EP Produzione S.P.A. and Fiume Santo S.P.A. in total amount of EUR 194 million (2019: EUR 202 million) consists of the following items:

Asset retirement costs (ARO provision) in amount of EUR 171 million (EUR 102 million for EP Produzione S.p.A. and EUR 69 million for Fiume Santo S.p.A.; 2019: EUR 176 million, of which EUR 105 million for EP Produzione S.p.A. and EUR 71 million for Fiume Santo S.p.A.) 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 restoration of land totalling EUR 16 million (2019: EUR 19 million) in region of Tavazzano, Ostiglia and Fiume Santo where the power plants are situated.

Estimated costs are adjusted by expected future inflation (0.00% for 2020; 2019: 0.27%) and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate of 0.65% (2019: 0.88%).

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.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Increase of inflation rate by 1%	(20)	(24)
Decrease of inflation rate by 1%	18	20

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.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Increase of discount rate by 1%	18	19
Decrease of discount rate by 1%	(20)	(22)

### *iii. France*

As at 31 December 2020, 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 172 million (2019: EUR 177 million) consists of the following items:

Provision for dismantling the windfarms and solar farms in France in amount of EUR 6 million (2019: 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 164 million (2019: EUR 171 million) composed as follows:

Provision for dismantling four plants in the north of France (Emile Huchet power plants) EUR 71 million (2019: EUR 79 million); provision for dismantling four plants in the south of France (Provence power plants) EUR 45 million (2019: EUR 42 million); provision for dismantling closed power plants of Hornaing and Lucy EUR 41 million (2019: EUR 43 million) and provision for restoration of land totalling EUR 7 million (2019: EUR 7 million), mainly to clean up ashes.

Estimated costs are adjusted by expected future inflation (0.13% for 2020; 0.27% for 2019) and discounted using a discount rate in range between 0.08% - 0.63% (2019: 0.28% - 0.83%).

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.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Increase of inflation rate by 1%	(17)	(18)
Decrease of inflation rate by 1%	15	16

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.

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>

Increase of discount rate by 1%	13	16
Decrease of discount rate by 1%	(15)	(18)

*iv. Other*

As at 31 December 2020, Eggborough Power Limited (“EPL”) recognized a provision for restoration and decommissioning in amount of EUR 7 million (2019: EUR 13 million) representing the present value of costs associated with closure commitments at the ash disposal facility and land that EPL has retained.

As at 31 December 2020, Humbly Grove Energy Limited recognized a provision for restoration and decommissioning in amount of EUR 28 million. The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation and is discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate.

As at 31 December 2020, Kraftwerk Mehrum GmbH recognised provision for Asset retirement obligation (“ARO provision”) in the amount of EUR 12 million (2019: EUR 12 million). The ARO provision is calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Lynemouth Power Limited estimated the provision for decontamination and restoration and long-term asset retirement in amount of EUR 16 million (2019: EUR 12 million) 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.

Provisions for restoration and decommissioning recognised by Humbly Grove Energy Limited, Eggborough Power Limited, Kraftwerk Mehrum GmbH and Lynemouth Power Limited 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.

## **28. Deferred income**

Balance of other deferred income in amount of EUR 73 million (2019: EUR 1 million) is mainly represented by EP Commodities, a.s. of EUR 43 million (2019: EUR 0 million) and Gazel Energie Generation S.A.S. of EUR 24 million (2019: EUR 0 million).

The deferred income of EP Commodities, a.s. represents prepayments for gas to be delivered in 2021. The deferred income of Gazel Energie Generation S.A.S. is associated with capacity market payments, which will be recognised in P&L after the utilization of capacity in the following years.

## 29. Financial instruments

### Financial instruments and other financial assets

*In millions of EUR*

	31 December 2020	31 December 2019
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	658	550
<i>of which loans provided by Company to sole shareholder</i>	610	507
Other term deposits	8	10
<b>Total</b>	<b>666</b>	<b>560</b>
<b>Assets carried at fair value</b>		
<b>Hedging: of which</b>	41	6
<i>Commodity derivatives cash flow hedge</i>	26	-
<i>Commodity derivatives fair value hedge</i>	1	-
<i>Other interest rate derivatives fair value hedge</i>	14	6
<b>Risk management purpose: of which</b>	384	320
<i>Commodity derivatives reported as trading</i>	384	320
<b>Equity instruments at fair value through OCI: of which</b>	13	9
<i>Shares and interim certificates at fair value through OCI</i>	13	9
<b>Total</b>	<b>438</b>	<b>335</b>
Non-current	526	464
Current	578	431
<b>Total</b>	<b>1,104</b>	<b>895</b>

### Financial instruments and other financial liabilities

*In millions of EUR*

	31 December 2020	31 December 2019
<b>Liabilities carried at fair value</b>		
<b>Hedging: of which</b>	38	17
<i>Currency forwards cash flow hedge</i>	19	14
<i>Commodity derivatives cash flow hedge</i>	14	-
<i>Interest rate swaps cash flow hedge</i>	5	3
<b>Risk management purpose: of which</b>	489	349
<i>Commodity derivatives reported as trading</i>	489	349
<b>Total</b>	<b>527</b>	<b>366</b>
Non-current	58	43
Current	469	323
<b>Total</b>	<b>527</b>	<b>366</b>

The weighted average interest rate on loans to other than credit institutions for 2020 was 2.87% (2019: 3.16%).

Fair values and respective nominal amounts of derivatives are disclosed in the following table:

<i>In millions of EUR</i>	<b>31 December 2020 Nominal amount buy</b>	<b>31 December 2020 Nominal amount sell</b>	<b>31 December 2020 Positive fair value</b>	<b>31 December 2020 Negative fair value</b>
<b>Hedging: of which</b>	1,706	(1,720)	41	(38)
<i>Currency forwards cash flow hedge</i>	891	(903)	-	(19)
<i>Commodity derivatives cash flow hedge</i>	417	(419)	26	(14)
<i>Commodity derivatives fair value hedge</i>	37	(37)	1	-
<i>Interest rate swaps cash flow hedge</i>	215	(215)	-	(5)
<i>Other derivatives fair value hedge</i>	146	(146)	14	-
<b>Risk management purpose: of which</b>	4,886	(4,991)	384	(489)
<i>Commodity derivatives reported as trading</i>	4,880	(4,985)	384	(489)
<i>Currency forwards reported as trading</i>	6	(6)	-	-
<b>Total</b>	<b>6,592</b>	<b>6,711</b>	<b>425</b>	<b>(527)</b>
<i>In millions of EUR</i>	<b>31 December 2019 Nominal amount buy</b>	<b>31 December 2019 Nominal amount sell</b>	<b>31 December 2019 Positive fair value</b>	<b>31 December 2019 Negative fair value</b>
<b>Hedging: of which</b>	998	(1,012)	6	(17)
<i>Other derivatives fair value hedge</i>	98	(98)	6	-
<i>Currency forwards cash flow hedge</i>	728	(742)	-	(14)
<i>Interest rate swaps cash flow hedge</i>	172	(172)	-	(3)
<b>Risk management purpose: of which</b>	1,849	(2,057)	320	(349)
<i>Commodity derivatives reported as trading</i>	1,845	(2,053)	320	(349)
<i>Currency forwards reported as trading</i>	4	(4)	-	-
<b>Total</b>	<b>2,847</b>	<b>(3,069)</b>	<b>326</b>	<b>(366)</b>

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 33 – 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: 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).

2020				
<i>In millions of EUR</i>	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	41	-	41
<i>Other derivatives fair value hedge</i>	-	14	-	14
<i>Commodity derivatives cash flow hedge</i>	-	26	-	26
<i>Commodity derivatives fair value hedge</i>	-	1	-	1
<b>Risk management purpose: of which</b>	-	384	-	384
<i>Commodity derivatives reported as trading</i>	-	384	-	384
<b>Equity instruments at fair value through OCI: of which</b>	-	-	13	13
<i>Shares and interim certificates at fair value through OCI</i>	-	-	13	13
<b>Total</b>	-	425	13	438
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	38	-	38
<i>Currency forwards cash flow hedge</i>	-	19	-	19
<i>Commodity derivatives cash flow hedge</i>	-	14	-	14
<i>Interest rate swaps cash flow hedge</i>	-	5	-	5
<b>Risk management purpose: of which</b>	-	489	-	489
<i>Commodity derivatives reported as trading</i>	-	489	-	489
<b>Total</b>	-	527	-	527
2019				
<i>In millions of EUR</i>	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	6	-	6
<i>Other interest rate derivatives fair value hedge</i>	-	6	-	6
<b>Risk management purpose: of which</b>	-	320	-	320
<i>Commodity derivatives reported as trading</i>	-	320	-	320
<b>Equity instruments at fair value through OCI: of which</b>	-	-	9	9
<i>Shares and interim certificates at fair value through OCI</i>	-	-	9	9
<b>Total</b>	-	326	9	335
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	17	-	17
<i>Currency forwards cash flow hedge</i>	-	14	-	14
<i>Interest rate swaps fair cash flow hedge</i>	-	3	-	3
<b>Risk management purpose: of which</b>	-	349	-	349
<i>Commodity derivatives reported as trading</i>	-	349	-	349
<b>Total</b>	-	366	-	366

There were no transfers between fair value levels in either 2020 or 2019.

The fair value of financial instruments held at amortised costs is shown in the table below:

<i>In millions of EUR</i>	<b>Carrying value 31 December 2020</b>	<b>Fair value 31 December 2020</b>
<b>Financial assets</b>		
Loans to other than credit institutions	658	704
Other term deposits	8	8
<b>Total</b>	<b>666</b>	<b>712</b>

<i>In millions of EUR</i>	<b>Carrying value 31 December 2019</b>	<b>Fair value 31 December 2019</b>
<b>Financial assets</b>		
Loans to other than credit institutions	550	584
Other term deposits	10	10
<b>Total</b>	<b>560</b>	<b>594</b>

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).

The fair value of trade receivables and other assets and trade payables is equal to their carrying amount.

### Transactions with emission rights not recognised 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 2020, the EPPE Group is contractually obliged to purchase 2,465,000 pieces (2019: 3,837,320 pieces) of emission rights at an average price 22.57 EUR/piece (2019: 24.31 EUR/piece).

## 30. Trade payables and other liabilities

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade payables	522	527
Accrued expenses	139	132
Other tax liabilities	81	129
Margin of stock exchange derivatives	41	20
Uninvoiced supplies	57	64
Estimated payables	53	59
Advance payments received	1	34
Payroll liabilities	56	41
Liabilities to partners and associations	8	-
Retentions due to contractors	2	2
Other liabilities	105	42
<b>Total</b>	<b>1,065</b>	<b>1,050</b>
<i>Non-current</i>	73	102
<i>Current</i>	992	948
<b>Total</b>	<b>1,065</b>	<b>1,050</b>

Trade payables and other liabilities have not been secured as at 31 December 2020 or as at 31 December 2019.

As at 31 December 2020 and 31 December 2019, 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.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 33 – Risk management policies and disclosures.

## 31. Financial commitments and contingencies

### Off balance sheet liabilities

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Commitments	335	452
Granted pledges – securities	381	397
Other granted pledges	1,126	1,298
<b>Total</b>	<b>1,842</b>	<b>2,147</b>

Granted pledges represent securities of individual Group companies used as collateral for external financing.

### 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 323 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 (2019: a total of EUR 358 was to be accrued by 2034 and 2037 respectively).

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 March 2027.

Remaining commitments of EUR 12 million (2019: EUR 93 million) is represented by contracts for future purchase of emission rights.

### Other granted pledges

<i>In millions of EUR</i>	31 December 2020	31 December 2019
Property, plant and equipment	700	892
Trade receivables	238	204
Cash and cash equivalents <sup>(1)</sup>	120	135
Inventories	57	43
Loans granted <sup>(2)</sup>	11	24
<b>Total</b>	<b>1,126</b>	<b>1,298</b>

(1) Pledged cash and cash equivalents include pledged restricted cash of EUR 26 million (2019: EUR 36 million).

(2) Pledged granted loans include intercompany loans of EUR 11 million, which were 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 by EP SHB Limited, EP Langage Limited, Lynemouth Power Limited, EP UK Finance Limited, EP Ballylumford Limited and EP Kilroot Limited. Total value of assets pledged by each of these companies is limited by value of net assets less loan payable to EP UK Finance Limited.

## Off balance sheet assets

*In millions of EUR*

	31 December 2020	31 December 2019
Other received guarantees and warranties	13	13
<b>Total</b>	<b>13</b>	<b>13</b>

Other received guarantees and warranties mainly consist of payment guarantees.

## Contingent asset related to tax relevant fixed assets revaluation in Italy

Based on the Law Decree n. 104/2020 issued in August 2020 that focuses on urgent measures to support and relaunch the Italian economy post the COVID-19 environment, there is a possibility to revalue selected corporate fixed assets in the 2020 financial statements. The revaluation can be carried out both for statutory accounting and tax purposes (affecting Corporate income tax as well as Regional tax) through a payment of a 3% substitute tax applied on the revaluation uplift. Subsequently, the companies will be benefitting from higher tax depreciation since fiscal year 2021. The revaluation uplift is accounted for within a special statutory equity reserve which can be distributed with a 10% substitute tax charge.

EP Produzione S.p.A. and Fiume Santo S.p.A., with the support of relevant technical and financial experts, has started a process in order to identify and revalue qualifiable assets accordingly. The process is ongoing at the moment and final decision on revaluation is to be reached, considering all technical conditions and attributable economic results. The expected tax relevant revaluation is in the region of EUR 200 million. Revaluation of this amount would give rise to a deferred tax asset at consolidation level of approximately EUR 50 million, applying the relevant tax rate of 28.2% (IRES + IRAP) and net of the 3% substitute tax.

## 32. Leases

### (a) Leases as a lessee

The Group leases land, buildings, various items of machinery 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 15).

*In millions of EUR*

	Land and building	Technical equipment, plant and machinery	Total
<b>Balance at 1 January 2020</b>	<b>7</b>	<b>5</b>	<b>12</b>
Depreciation charge for the year	(2)	(3)	(5)
Additions to right-of-use assets	1	-	1
Acquisitions through business combinations	1	-	1
Modifications to right-of-use assets	1	-	1
<b>Balance at 31 December 2020</b>	<b>8</b>	<b>2</b>	<b>10</b>

*In millions of EUR*

	Land and building	Technical equipment, plant and machinery	Total
<b>Balance at 1 January 2019</b>	<b>5</b>	<b>9</b>	<b>14</b>
Depreciation charge for the year	(1)	(4)	(5)
Acquisitions through business combinations	2	-	2
Effects of movements in foreign exchange rate	1	-	1
<b>Balance at 31 December 2019</b>	<b>7</b>	<b>5</b>	<b>12</b>

#### **Maturity analysis of lease liabilities**

*In millions of EUR*

	31 December 2020	31 December 2019
<b>Undiscounted contractual cash flows by maturity</b>		
Up to 3 months	1	1
3 months to 1 year	6	7
1–5 years	4	6
Over 5 years	1	2
<b>Total undiscounted contractual cash flows</b>	<b>12</b>	<b>16</b>
<b>Carrying amount</b>	<b>12</b>	<b>14</b>

#### **Amounts recognized in profit or loss**

*In millions of EUR*

	2020	2019
Depreciation charge for the year	(5)	(5)
Expenses related to short-term leases	(1)	(1)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(5)	(8)

#### **Amounts recognized in statement of cash flows**

*In millions of EUR*

	2020	2020
Total cash outflow for leases	(5)	(5)

### **(b) Leases as a lessor**

#### **Operating lease**

During the year ended 31 December 2020, EUR 2 million (2019: EUR 2 million) was recognised as income in profit or loss in respect of operating leases.

### 33. 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 risk. 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 company, and thus has a specific customer structure. 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(n) – 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 incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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 2020**

*In millions of EUR*

	<b>Corporate (non-financial institutions)</b>	<b>State, government</b>	<b>Financial institutions</b>	<b>Banks</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
<i>Assets</i>							
Cash and cash equivalents	-	-	-	562	-	-	<b>562</b>
Restricted cash	1	-	-	30	-	-	<b>31</b>
Trade receivables and other assets	876	119	1	11	40	9	<b>1,056</b>
Financial instruments and other financial assets	1,088	-	-	16	-	-	<b>1,104</b>
<b>Total</b>	<b>1,965</b>	<b>119</b>	<b>1</b>	<b>619</b>	<b>40</b>	<b>9</b>	<b>2,753</b>

**As at 31 December 2019**

*In millions of EUR*

	<b>Corporate (non-financial institutions)</b>	<b>State, government</b>	<b>Financial institutions</b>	<b>Banks</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
<i>Assets</i>							
Cash and cash equivalents	-	-	-	472	-	-	<b>472</b>
Restricted cash	3	-	-	39	-	-	<b>42</b>
Trade receivables and other assets <sup>(1)</sup>	788	228	1	-	13	25	<b>1,055</b>
Financial instruments and other financial assets	892	-	-	3	-	-	<b>895</b>
<b>Total – restated<sup>(1)</sup></b>	<b>1,683</b>	<b>228</b>	<b>1</b>	<b>514</b>	<b>13</b>	<b>25</b>	<b>2,464</b>

<sup>(1)</sup> Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

## Credit risk by location of debtor

### As at 31 December 2020

In millions of EUR

	Czech Republic	Italy	Germany	United Kingdom	France	Ireland	Switzerland	Other	Total
<b>Assets</b>									
Cash and cash equivalents	4	320	67	95	63	5	7	1	562
Restricted cash	-	-	1	29	-	1	-	-	31
Trade receivables and other assets	47	277	228	214	166	23	34	67	1,056
Financial instruments and other financial assets	662	18	84	157	112	-	30	41	1,104
<b>Total</b>	<b>713</b>	<b>615</b>	<b>380</b>	<b>495</b>	<b>341</b>	<b>29</b>	<b>71</b>	<b>109</b>	<b>2,753</b>

### As at 31 December 2019

In millions of EUR

	Czech Republic	Italy	Germany	United Kingdom	France	Ireland	Other	Total
<b>Assets</b>								
Cash and cash equivalents	11	167	51	98	121	18	6	472
Restricted cash	-	-	-	41	-	1	-	42
Trade receivables and other assets <sup>(1)</sup>	27	307	147	275	201	7	91	1,055
Financial instruments and other financial assets	538	30	190	48	78	-	11	895
<b>Total – restated<sup>(1)</sup></b>	<b>576</b>	<b>504</b>	<b>388</b>	<b>462</b>	<b>400</b>	<b>26</b>	<b>108</b>	<b>2,464</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

As at 31 December 2020, location Other comprises mainly debtors located in Slovakia, Denmark and Austria (2019: Luxembourg, Slovakia and Switzerland).

## 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 asset is include 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 info see Note 3(i)(ii).

### Credit risk – impairment of financial assets

The following table provides information about the changes in the loss allowance during the year 2020.

<i>In millions of EUR</i>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>(5)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(6)</b>
Impairment losses recognised during the year	(2)	-	-	-	(2)
Reversal of impairment losses during the year	1	-	-	-	1
Change in credit risk	2	-	-	-	2
<b>Balance at 31 December 2020</b>	<b>(4)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(5)</b>

The most significant change which contributed to change in the loss allowance during the period was mainly reversal of impairment loss of a trade receivable created in previous year as the uncertainty connected to the collection of the receivable has been rebutted.

<i>In millions of EUR</i>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	<b>(17)</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(19)</b>
Impairment losses recognised during the year	(4)	-	-	-	(4)
Reversal of impairment losses during the year	14	-	1	-	15
Impairment losses used during the year	2	-	-	-	2
<b>Balance at 31 December 2019</b>	<b>(5)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(6)</b>

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2020 were as follows:

*In millions of EUR*

	<b>Loans to other than credit institutions</b>	<b>Contract assets</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Restated balance at 1 January 2020</b>	-	-	(6)	(6)
Impairment losses recognised during the year	-	-	(2)	(2)
Reversals of impairment losses recognised during the year	-	-	1	1
Change in credit risk	-	-	2	2
<b>Balance at 31 December 2020</b>	-	-	(5)	(5)

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2019 were as follows:

*In millions of EUR*

	<b>Loans to other than credit institutions</b>	<b>Contract assets</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Restated balance at 1 January 2019</b>	-	-	(19)	(19)
Impairment losses recognised during the year	-	-	(4)	(4)
Reversals of impairment losses recognised during the year	-	-	15	15
Impairment losses used during the year	-	-	2	2
<b>Balance at 31 December 2019</b>	-	-	(6)	(6)



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 2020

In millions of EUR

	Loans to other than credit institutions	Other short- term deposits (intended for investing activities)	Trade receivables and other assets	Total
Before maturity (net)	658	8	1,056	1,722
After maturity (net)	-	-	-	-
<b>Total</b>	<b>658</b>	<b>8</b>	<b>1,056</b>	<b>1,722</b>
A – Assets (gross)				
- before maturity	658	8	1,059	1,725
- after maturity <30 days	-	-	-	-
- after maturity 31–180 days	-	-	-	-
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	2	2
<b>Total assets (gross)</b>	<b>658</b>	<b>8</b>	<b>1,061</b>	<b>1,727</b>
B – Loss allowance for assets				
- before maturity	-	-	(3)	(3)
- after maturity <30 days	-	-	-	-
- after maturity 31–180 days	-	-	-	-
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	(2)	(2)
<b>Total loss allowance</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(5)</b>
<b>Total assets (net)</b>	<b>658</b>	<b>8</b>	<b>1,056</b>	<b>1,722</b>

As at 31 December 2019

In millions of EUR

	Loans to other than credit institutions	Other short- term deposits (intended for investing activities)	Trade receivables and other assets	Total
Before maturity (net)	550	10	1,045	1,605
After maturity (net)	-	-	10	10
<b>Total – restated<sup>(1)</sup></b>	<b>550</b>	<b>10</b>	<b>1,055</b>	<b>1,615</b>
A – Assets (gross)				
- before maturity	550	10	1,049	1,609
- after maturity <30 days	-	-	6	6
- after maturity 31–180 days	-	-	2	2
- after maturity 181–365 days	-	-	2	2
- after maturity >365 days	-	-	2	2
<b>Total assets (gross) – restated<sup>(1)</sup></b>	<b>550</b>	<b>10</b>	<b>1,061</b>	<b>1,621</b>
B – Loss allowance for assets				
- before maturity	-	-	(4)	(4)
- after maturity <30 days	-	-	-	-
- after maturity 31–180 days	-	-	-	-
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	(2)	(2)
<b>Total loss allowance</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>(6)</b>
<b>Total assets (net) – restated<sup>(1)</sup></b>	<b>550</b>	<b>10</b>	<b>1,055</b>	<b>1,615</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

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 2020.

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. Those liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

## Maturities of financial liabilities

As at 31 December 2020

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years	Undefined maturity
<b>Liabilities</b>							
Loans and borrowings	1,001	1,001	24	744	232	1	-
Trade payables and other liabilities	<sup>(2)</sup> 1,064	1,064	695	296	29	44	-
Financial instruments and financial liabilities	527	527	6	462	54	5	-
<b>Total</b>	<b>2,592</b>	<b>2,592</b>	<b>725</b>	<b>1,502</b>	<b>315</b>	<b>50</b>	<b>-</b>
<b>Net liquidity risk position</b>	<b>107</b>	<b>208</b>	<b>709</b>	<b>(807)</b>	<b>221</b>	<b>85</b>	<b>-</b>

\* Contract liabilities in amount of EUR 0 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) Advances received in amount of EUR 1 million are excluded from the carrying amount as these items will cause no future cash outflow.

As at 31 December 2019

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years	Undefined maturity
<b>Liabilities</b>							
Loans and borrowings	1,286	1,323	187	798	315	23	-
Trade payables and other liabilities	<sup>(2)</sup> 996	997	468	403	58	43	25
Financial instruments and financial liabilities	366	366	58	265	35	8	-
<b>Total</b>	<b>2,648</b>	<b>2,686</b>	<b>713</b>	<b>1,466</b>	<b>408</b>	<b>74</b>	<b>25</b>
<b>Net liquidity risk position</b>	<b>(158)</b>	<b>(187)</b>	<b>(364)</b>	<b>(689)</b>	<b>(93)</b>	<b>(29)</b>	<b>81</b>

\* Contract liabilities in amount of EUR 119 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) Advances received in amount of EUR 54 million are excluded from the carrying amount as these items will cause no future cash outflow.

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 will 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 2020 is as follows:

<i>In millions of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	562	-	-	-	<b>562</b>
Restricted cash	30	-	-	1	<b>31</b>
Trade receivables and other assets	1	-	-	1,055	<b>1,056</b>
Financial instruments and other financial assets <sup>(1)</sup>	356	260	43	445	<b>1,104</b>
<b>Total</b>	<b>949</b>	<b>260</b>	<b>43</b>	<b>1,501</b>	<b>2,753</b>
<b>Liabilities</b>					
Loans and borrowings	994	3	-	4	<b>1,001</b>
Trade payables and other liabilities	-	-	-	1,065	<b>1,065</b>
Financial instruments and financial liabilities <sup>(1)</sup>	7	-	-	520	<b>527</b>
<b>Total</b>	<b>1,001</b>	<b>3</b>	<b>-</b>	<b>1,589</b>	<b>2,593</b>
<b>Net interest rate risk position</b>	<b>(52)</b>	<b>257</b>	<b>43</b>	<b>(88)</b>	<b>160</b>
Effect of interest rate swaps	<b>19</b>	<b>(5)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>
<b>Net interest rate risk position (incl. IRS)</b>	<b>(33)</b>	<b>252</b>	<b>29</b>	<b>(88)</b>	<b>160</b>

*(1) Disregarding agreed interest rate swaps.*

Notional amounts of financial instruments are included in Note 29 – Financial instruments.

Interest rate risk exposure as at 31 December 2019 is as follows:

<i>In millions of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	472	-	-	-	<b>472</b>
Restricted cash	22	-	-	20	<b>42</b>
Trade receivables and other assets <sup>(1)</sup>	-	-	-	1,055	<b>1,055</b>
Financial instruments and other financial assets <sup>(1)</sup>	136	371	43	345	<b>895</b>
<b>Total - restated</b>	<b>630</b>	<b>371</b>	<b>43</b>	<b>1,420</b>	<b>2,464</b>
<b>Liabilities</b>					
Loans and borrowings	1,269	5	3	9	<b>1,286</b>
Trade payables and other liabilities	-	-	-	1,050	<b>1,050</b>
Financial instruments and financial liabilities <sup>(2)</sup>	-	-	-	366	<b>366</b>
<b>Total</b>	<b>1,269</b>	<b>5</b>	<b>3</b>	<b>1,425</b>	<b>2,702</b>
<b>Net interest rate risk position</b>	<b>(639)</b>	<b>366</b>	<b>40</b>	<b>(5)</b>	<b>(238)</b>
Effect of interest rate swaps	<b>154</b>	<b>(124)</b>	<b>(30)</b>	-	-
<b>Net interest rate risk position (incl. IRS) - restated</b>	<b>(485)</b>	<b>242</b>	<b>10</b>	<b>(5)</b>	<b>(238)</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 29 – Financial instruments.

### Sensitivity analysis

The Group performs stress testing using a standardised market 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.

<i>In millions of EUR</i>	<b>2020 Profit (loss)</b>	<b>2020 Profit (loss)</b>	<b>2019 Profit (loss)</b>	<b>2019 Profit (loss)</b>
<i>Interest rate</i>	<i>EURIBOR</i>	<i>LIBOR</i>	<i>EURIBOR</i>	<i>LIBOR</i>
Decrease in interest rates by 1%	-	4	-	2
Increase in interest rates by 1%	3	(2)	-	(3)

The analysis stated above does not cover the impact of change in interest rate to fair value 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 than the respective functional currencies of Group entities, primarily EUR and GBP.

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 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:

<i>In millions of EUR</i>	EUR	GBP	USD	Other	Total
<b>Assets</b>					
Cash and cash equivalents	6	1	8	-	15
Restricted cash	-	-	-	-	-
Trade receivables and other assets	480	21	51	1	553
Financial instruments and other financial assets	667	380	2	-	1,049
	<b>1,153</b>	<b>402</b>	<b>61</b>	<b>1</b>	<b>1,617</b>
<b>Off-balance sheet assets</b>					
Receivables from derivative operations	-	-	6	-	6
	-	-	6	-	6
<b>Liabilities</b>					
Loans and borrowings	364	375	33	-	771
Trade payables and other liabilities	506	25	25	1	557
Financial instruments and financial liabilities	300	25	7	-	332
	<b>1,170</b>	<b>425</b>	<b>64</b>	<b>1</b>	<b>1,660</b>
<b>Off-balance sheet liabilities</b>					
Payables related to derivative operations	-	6	-	-	6
	-	6	-	-	6
<b>Net FX risk position</b>	<b>(17)</b>	<b>(23)</b>	<b>(3)</b>	<b>-</b>	<b>(43)</b>
Effect of forward exchange contracts	-	(6)	6	-	-
<b>Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)</b>	<b>(17)</b>	<b>(29)</b>	<b>3</b>	<b>-</b>	<b>(43)</b>

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 2019, 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:

<i>In millions of EUR</i>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	11	3	3	2	<b>19</b>
Restricted cash	-	-	-	-	<b>-</b>
Trade receivables and other assets	369	17	12	2	<b>400</b>
Financial instruments and other financial assets	848	509	6	-	<b>1,363</b>
	<b>1,228</b>	<b>529</b>	<b>21</b>	<b>4</b>	<b>1,782</b>
<b>Off-balance sheet assets</b>					
Receivables from derivative operations	-	-	-	-	<b>-</b>
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Loans and borrowings	515	508	13	-	<b>1,036</b>
Trade payables and other liabilities	414	17	7	1	<b>439</b>
Financial instruments and financial liabilities	316	-	-	-	<b>316</b>
	<b>1,245</b>	<b>525</b>	<b>20</b>	<b>1</b>	<b>1,791</b>
<b>Off-balance sheet liabilities</b>					
Payables related to derivative operations	-	4	-	-	<b>4</b>
	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>Net FX risk position</b>	<b>(17)</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>(9)</b>
Effect of forward exchange contracts	-	(4)	-	-	<b>(4)</b>
<b>Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)</b>	<b>(17)</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>(13)</b>

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 notional amounts of financial instruments (refer to Note 29 – Financial instruments for more details).

The following significant exchange rates applied during the period:

<i>CZK</i>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Average rate</b>	<b>Reporting date spot rate</b>	<b>Average rate</b>	<b>Reporting date spot rate</b>
EUR 1	26.444	26.245	25.672	25.410
GBP 1	29.734	29.19	29.256	29.866
USD 1	23.196	21.387	22.934	22.621

### **Sensitivity analysis**

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR and GBP at the reporting date would have impacted profit (loss) 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. The analysis disregards any impact on other comprehensive income.

<i>Effect in millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
EUR (5% strengthening)	1	1
GBP (5% strengthening)	1	-
USD (5% strengthening)	-	-

<i>Effect in millions of EUR</i>	<b>2020</b>	<b>2019</b>
	<b>Other comprehensive income</b>	<b>Other comprehensive income</b>
EUR (5% strengthening)	-	-

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.

#### **Sensitivity analysis**

A change in the market price of electricity of 1 EUR/MWh would have decreased or increased revenues from sales of electricity by EUR 35 million (2019: EUR 30 million). This analysis assumes that all other variables, in particular gas prices and emission rights prices, remain constant.

#### **(f) Regulatory risk**

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 EPPE 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, 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. The UK ETS trading scheme has initially set a price cap approximately at the current price level of European emission allowances until the actual trading commences, when the first auction took place on 19 May 2021. Until the secondary market becomes liquid, the UK ETS market participants tend to use EU ETS as a proxy, however, there is a potential of price volatility and other issues until the UK ETS market fully develops.

### **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 EPPE 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 CO<sub>2</sub> emission allowances is driven by the EU ETS. EU ETS just ended its Phase III, 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.

In recent years, the EU ETS faced a surplus of allowances, mainly due to the economic depression which has cut emissions more than anticipated, and therefore allowance prices were historically lower than expected. In order to address the situation the European Commission originally postponed the auctioning of 900 million allowances originally scheduled for allocation in 2014 – 2016 until 2019 – 2020. Further, the EU ETS overall cap may need to be further reduced in connection with the target of at least 55% reduction in EU greenhouse gas emissions below 1990 levels by 2030 as set out in the 2030 Climate and Energy Framework Proposal. These efforts might cause that the price of emission allowances shall be further increasing which might have a negative impact on the EPPE Group.

## **(g) 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's debt to adjusted capital ratio at the end of the reporting period was as follows:

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2019 restated<sup>(1)</sup></b>
Total liabilities	4,540	4,720
Less: cash and cash equivalents	562	472
<b>Net debt</b>	<b>3,978</b>	<b>4,248</b>
Total equity attributable to equity holders of the Company	1,525	1,420
Less: amounts accumulated in equity relating to cash flow hedges	272	315
<b>Adjusted capital</b>	<b>1,253</b>	<b>1,105</b>
<b>Debt to adjusted capital</b>	<b>3.17</b>	<b>3.84</b>

(1) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

## (h) Hedge accounting

### Cash flow hedge

The balance as at 31 December 2020 and 2019 represents primarily derivative agreements to hedge on a foreign exchange rate concluded by Lynemouth Power Limited and derivative agreements to hedge emission rights price recorded by equity accounted investees.

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 21 million (positive impact on profit or loss) from hedging reserves to profit or loss (2019: EUR 25 million (positive impact on profit or loss)).

The following tables provide a reconciliation of amounts recorded in equity by category of hedging instrument:

<i>In millions of EUR</i>	<b>Currency forwards – cash flow hedge<sup>(1)</sup></b>	<b>Equity accounted investees – cash flow hedge</b>	<b>Commodity derivatives – cash flow hedge</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>119</b>	<b>196</b>	<b>-</b>	<b>315</b>
Cash flow hedges reclassified to profit or loss	(20)	-	-	(20)
Deferred tax – cash flow hedges reclassified to profit or loss	4	-	-	4
Revaluation of cash flow hedges	(7)	-	13	6
Deferred tax – cash flow hedges revaluation	1	-	(3)	(2)
Changes of hedging reserves recognised by equity accounted investees	-	(31)	-	(31)
<b>Balance at 31 December 2020</b>	<b>97</b>	<b>165</b>	<b>10</b>	<b>272</b>

(1) 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.

In millions of EUR

	Currency forwards – cash flow hedge <sup>(1)</sup>	Equity accounted investees – cash flow hedge	Total
<b>Balance at 1 January 2019</b>	<b>152</b>	<b>382</b>	<b>534</b>
Cash flow hedges reclassified to profit or loss	(25)	-	(25)
Deferred tax – cash flow hedges reclassified to profit or loss	2	-	2
Revaluation of cash flow hedges	(11)	-	(11)
Deferred tax – cash flow hedges revaluation	1	-	1
Changes of hedging reserves recognized by equity accounted investees	-	(186)	(186)
<b>Balance at 31 December 2019</b>	<b>119</b>	<b>196</b>	<b>315</b>

(1) As at 31 December 2019 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2019 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.

#### 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 2020 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 22 million (2019: negative EUR 33 million).

The following table provides details of cash flow hedge currency derivatives for foreign currency risk recorded by the Group as at 31 December 2020 and 2019:

In millions of EUR	31 December 2020 Positive fair value	31 December 2020 Negative fair value	31 December 2020 Nominal amount hedged (buy)	31 December 2020 Nominal amount hedged (sell)
Up to 3 months	-	-	-	-
3 months to 1 year	-	11	144	146
1–5 years	-	5	513	520
Over 5 years	-	3	234	237
<b>Total</b>	<b>-</b>	<b>19</b>	<b>891</b>	<b>903</b>

In millions of EUR	31 December 2019 Positive fair value	31 December 2019 Negative fair value	31 December 2019 Nominal amount hedged (buy)	31 December 2019 Nominal amount hedged (sell)
Up to 3 months	-	-	-	-
3 months to 1 year	-	1	208	209
1–5 years	-	5	205	210
Over 5 years	-	8	315	323
<b>Total</b>	<b>-</b>	<b>14</b>	<b>728</b>	<b>742</b>

#### 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 a cash flow hedge reserve of negative EUR 31 million (2019: negative EUR 186 million). As the hedge accounting is applied by equity

accounted investees, the hedging derivatives are not recognised on Group's consolidated statement of financial position.

#### **Fair value hedge**

The Group applies hedge accounting for hedging instruments designed to hedge changes in fair value arising from changes in interest rates and changes in price levels. The hedge is in place to cover inflation fluctuations for contract for difference and biomass purchases and exposures arising from external bank loans. The hedging instruments are CPI-linked interest rate derivatives. No hedge ineffectiveness was recognized for years ending 31 December 2020 and 2019. For more details on fair value hedge derivatives refer to Note 29 – Financial instruments.

### **34. Related parties**

The Group has a related party relationship with its shareholders and other parties, as identified in the following table:

#### **(i) Balances with related parties**

The summary of outstanding balances with related parties as at 31 December 2020 and 31 December 2019 was as follows:

*In millions of EUR*

	Accounts receivable and other financial assets 2020	Accounts payable and other financial liabilities 2020	Accounts receivable and other financial assets 2019	Accounts payable and other financial liabilities 2019
Companies controlled by ultimate shareholders <sup>(1)</sup>	672	489	561	593
Associates and joint ventures	68	108	36	72
<b>Total</b>	<b>740</b>	<b>597</b>	<b>597</b>	<b>665</b>

*(1) Daniel Křetínský represents the ultimate shareholder.*

#### **(j) Transactions with related parties**

The summary of transactions with related parties during the year ended 31 December 2020 and 31 December 2019 was as follows:

*In millions of EUR*

	Revenues 2020	Expenses 2020	Revenues 2019	Expenses 2019
Companies controlled by ultimate shareholders <sup>(1)</sup>	219	(136)	197	(114)
Associates and joint ventures	416	(320)	352	(331)
<b>Total</b>	<b>635</b>	<b>(456)</b>	<b>549</b>	<b>(445)</b>

*(1) Daniel Křetínský represents the ultimate shareholder.*

All transactions were performed under the arm's length principle with the exception of the prolongation of the zero interest loan provided by EPH, see Note 26 for more details.

### Transactions with the key management personnel

For the financial years ended 31 December 2020 and 2019 the EPPE Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Power Europe, a.s., Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, EP Commodities, a.s., EP Produzione S.P.A. Group, EPNEI Group, JTSD - Braunkohlebergbau GmbH Group, EP Germany GmbH Group, Kraftwerk Mehrum GmbH, EP Kilroot Limited, EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

<i>In millions of EUR</i>	<b>2020</b>	<b>2019</b>
Nr. of personnel	27	23
Compensation, fees and rewards	7	5
Compulsory social security contributions	<u>1</u>	<u>1</u>
<b>Total</b>	<b><u>8</u></b>	<b><u>6</u></b>

Other remuneration of Group management (management of all components within the Group) is included in Note 8 – Personnel expenses.

All transactions were performed under the arm's length principle.

### 35. Group entities

The list of the Group entities as at 31 December 2020 and 31 December 2019 is set out below:

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
EP Power Europe, a.s. *	Czech Republic	-	-	-	-	-	-
EPPE Germany, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
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 <sup>(3)</sup>	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
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	100	Direct	-	-	Equity	-
Lausitz Energie PV Zschornowitz GmbH & Co. KG	Germany	100	Direct	-	-	Equity	-
EVA Verwaltungs GmbH	Germany	50	Direct	-	-	At cost	-
EVA Jänschwalde GmbH & Co. KG	Germany	50	Direct	-	-	Equity	-
EP New Energies GmbH <sup>(6)</sup>	Germany	20	Direct	-	-	Full	Full
EP New Energy Italia S.r.l.	Italy	49	Direct	-	-	Full	Full
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
NADURENE 2 a.s. <sup>(2)</sup>	Czech Republic	-	-	100	Direct	-	Equity
EP New Energy Italia S.r.l.	Italy	49	Direct	49	Direct	Full	Full
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Fores Italia S.r.l. <sup>(5)</sup>	Italy	-	-	50	Direct	-	At cost
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
EP New Energies GmbH <sup>(6)</sup>	Germany	80	Direct	100	Direct	Full	Full
EP Mehrum GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Mehrum GmbH	Germany	100	Direct	100	Direct	Full	Full
JTSD - Braunkohlebergbau GmbH	Germany	90	Direct	90	Direct	Full	Full
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Full	Full
GALA-MIBRAG-Service GmbH <sup>(10)</sup>	Germany	100	Direct	100	Direct	Full	Full
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	Full	Full
Helmstedter Revier GmbH (Buschhaus) <sup>(10)</sup>	Germany	100	Direct	100	Direct	Full	Full

	31 December 2020			31 December 2019		2020	2019
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Conso- lidation method	Conso- lidation method
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH (NORGAM mbH )	Germany	51	Direct	51	Direct	Full	Full
Terrakomp GmbH <sup>(4)</sup>	Germany	-	-	100	Direct	-	Full
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Profen GmbH	Germany	100	Direct	-	-	At cost	-
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	-	-	At cost	-
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
Zukunft I GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft II GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft III GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft IV GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft V GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft VI GmbH	Germany	100	Direct	-	-	At cost	-
Photovoltaikpark Peres I GmbH <sup>(7)</sup>	Germany	100	Direct	-	-	At cost	-
Windpark Breunsdorf I GmbH	Germany	100	Direct	-	-	At cost	-
Windpark Profen II GmbH	Germany	100	Direct	-	-	At cost	-
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	-	-	At cost	-
EP Germany GmbH *	Germany	100	Direct	100	Direct	Full	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	Equity	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	Equity	Equity
EP UK Investments LTD	United Kingdom	100	Direct	100	Direct	Full	Full
Eggborough Power Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Lynemouth Power Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP UK Power Development Ltd	United Kingdom	100	Direct	100	Direct	Full	Full
EP SHB Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humberland Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Langage Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Ballylumford Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Kilroot Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Tynagh Energy Limited	Ireland	80	Direct	80	Direct	Full	Full
EP UK Finance Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humbly Grove Energy Limited	United Kingdom	100	Direct	-	-	Full	-
Humbly Grove Energy Services Limited <sup>(1)</sup>	United Kingdom	100	Direct	-	-	At cost	-
EP Waste Management Limited	United Kingdom	100	Direct	-	-	At cost	-
EP NI Energy Limited	United Kingdom	100	Direct	-	-	At cost	-
RVA Group Limited <sup>(1)</sup>	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Consulting Engineers Limited <sup>(1)</sup>	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA GmbH	Germany	100	Direct	100	Direct	At cost	At cost
RVA Engineering Solutions Limited <sup>(1)</sup>	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Invest Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Commodities Ukraine TOB	Ukraine	100	Direct	-	-	At cost	-
EP Produzione S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Fiume Santo S.p.A.	Italy	100	Direct	100	Direct	Full	Full
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	75	Direct	Full	Full
Centro Energia Ferrara S.r.l.	Italy	100	Direct	100	Direct	Full	Full
Centro Energia Teverola S.r.l. <sup>(8)</sup>	Italy	100	Direct	100	Direct	Full	Full
Ergosud S.P.A.	Italy	50	Direct	50	Direct	Equity	Equity
EP New Energy Italia S.r.l.*	Italy	51	Direct	51	Direct	Full	Full
Fusine Energia S.r.L.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Fores Italia S.r.l. <sup>(5)</sup>	Italy	-	-	50	Direct	-	At cost
Biomasse Servizi S.r.l.	Italy	51	Direct	51	Direct	Direct	Direct
EP France S.A.S.*	France	100	Direct	100	Direct	Full	Full
Gazel Energie Generation S.A.S.	France	100	Direct	100	Direct	Full	Full
Aerodis, S.A.	France	100	Direct	100	Direct	Full	Full
Surschiste, S.A.	France	100	Direct	100	Direct	Full	Full
Société des Eaux de l'Est S.A.	France	25	Direct	25	Direct	At cost	At cost
Illico S.A.S.	France	100	Direct	-	-	Full	-
Kemaman S.A.S.	France	-	-	100	Direct	-	Full
Gazel Energie Renouvelables S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Solaire S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Solutions S.A.S.	France	100	Direct	100	Direct	Full	Full
Dynamo S.A.S.	France	100	Direct	-	-	At cost	-
EP Yuzivska B.V.	Netherlands	100	Direct	100	Direct	Full	Full
EP Ukraine B.V. (EP Sophievska B.V.) <sup>(3)</sup>	Netherlands	90	Direct	90	Direct	Full	Full
EP Resources AG	Switzerland	100	Direct	100	Direct	Full	Full
EP Resources DE GmbH	Germany	100	Direct	-	-	At cost	-
EPR ASIA PTE. LTD.	Singapore	100	Direct	-	-	At cost	-
Boldore a.s.	Czech Republic	50	Direct	-	-	At cost	-
SLUGGERIA a.s. <sup>(9)</sup>	Czech Republic	100	Direct	-	-	At cost	-

\* Holding entity

(1) This company is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts, by virtue of section 479A.

(2) On 14 December 2020 merger of NADURENE 2, a.s. merged with Lausitz Energie Bergbau AG. Lausitz Energie Bergbau AG is the successor company.

(3) On 10 October 2020 EP Sophievska B.V. was renamed to EP Ukraine B.V.

(4) On 1 January 2020 Terrakomp GmbH merged with Helmstedter Revier GmbH. Helmstedter Revier GmbH is the successor company.

(5) On 28 December 2020 Fores Italia S.r.l. merged with Biomasse Crotone S.p.A. Biomasse Crotone S.p.A. is the successor company.

(6) On 31 July 2020 20% share of EP New Energies GmbH was transferred to Lausitz Energie Bergbau AG as a part of internal reorganization.

(7) On 7 October 2020 Zukunft VII GmbH was renamed to Photovoltaikpark Peres I GmbH.

(8) On 23 December 2020 Centro Energia Teverola S.p.A. merged with EP Produzione S.p.A. EP Produzione S.p.A. is the successor company.

(9) On 20 May 2020 the shares of SLUGGERIA a.s. were transferred to Boldore a.s. as a part of internal reorganization.

(10) The German subsidiaries Helmstedter Revier GmbH, Büddenstedt, and GALA-MIBRAG-Service GmbH, Elsterau, included in EP Power Europe a.s. consolidated financial statements, make use of the simplification options provided in Section 264 (3) of the German Commercial Code (HGB) with respect to the preparation and publishing of the annual financial statements as at 31 December 2020 (HSR and GALA) and 2019 (HSR, GALA and Terrakomp GmbH, Büddenstedt: release from the requirement to prepare notes).

The structure above is listed by ownership of companies at the different levels within the Group.



## 36. Litigations and claims

### **Mitteldeutsche Braunkohlengesellschaft mbH (“MIBRAG”)**

MIBRAG reached a settlement with 50Hertz Transmission GmbH (“50Hertz”) providing an electricity supply line over the years 2021 until 2023. Object of the dispute was the retroactive payment from MIBRAG for costs under the burden-sharing mechanism related to the promotion of renewable energies (the so-called EEG surcharge) between August 2004 and December 2008 under the German Renewable Energies Act (Erneuerbare Energien Gesetz). The case has been settled and the solution reached is covered by the accruals set up in MIBRAG.

### **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. 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 2020, 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 is expecting a positive conclusion of the claim. Therefore, as at 31 December 2020, no provision was recorded.

### **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 this respect litigation provision has been booked as at 31 December 2020 even though GEG believes that this claim is not justified.

#### ***Biomass suppliers’ litigations***

Due to the delay of the commissioning of Provence 4 Biomass, litigations occurred with a part of the wood suppliers in relation to the contractual penalties and in respect of which a corresponding provision has been booked as at 31 December 2020.

## 37. Subsequent events

### ***Acquisition of EP Resources CZ a.s.***

On 8 January 2021, EPPE acquired 100% share in EP Resources CZ a.s. from its parent company Energetický a průmyslový holding, a.s.

### ***Acquisition of STEAG Power Minerals***

On 10 March 2021, EPPE, a subsidiary of EPH, signed an agreement with STEAG GmbH for the purchase of the shares in STEAG Power Minerals GmbH (“SPM”). SPM 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.

Closing of acquisition was finalized on 31 May 2021.

### ***Other subsequent events***

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 EPPE, 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, EPPE will no longer be entitled to market the electricity generated in these plants after 8 December 2021. Subject to review by the transmission system operators and German Federal Network Agency, the Mehrum and Deuben power plants will be decommissioned and will substantially reduce the CO2 produced by EPH power plant portfolio since.

In the first quarter of 2021, EP Produzione S.P.A. repaid its bilateral facilities due 2021 in total amount of EUR 225 million for which Group used a cash generated from operations.

In the first quarter of 2021, EP UK Finance Limited fully repaid multi-facility agreement in total amount of around GBP 154 million using a combination of cash generated from operations and a loan provided by shareholder.

#### *Coal exit in Germany*

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 and 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 the 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 special purpose companies held by LEB and pledged in favour of the Free State of Saxony and federal state of Brandenburg.

To implement the statutorily required and contractually agreed regulations the LEK and the 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. EU has announced that the investigation will be officially started.

The contract also provides the following decommissioning dates for LEK’s generating units:

<b>Unit name</b>	<b>MW<sub>el</sub> (netto)</b>	<b>Of which leased to LEB</b>	<b>Date of transfer to extended decommissioning</b>	<b>Final decommissioning date („Stilllegungszeitpunkt“)</b>
Jänschwalde A	465	-	31 December 2025	31 December 2028
Jänschwalde B	465	72	31 December 2027	31 December 2028
Jänschwalde C	465	-	-	31 December 2028
Jänschwalde D	465	-	-	31 December 2028
Boxberg N	465	-	-	31 December 2029
Boxberg D	465	141	-	31 December 2029
Lippendorf R	875	-	-	31 December 2035
Lippendorf S <sup>(1)</sup>	875	-	-	31 December 2035
Schwarze Pumpe A	750	135	-	31 December 2038
Schwarze Pumpe B	750	135	-	31 December 2038
Boxberg R	640	141	-	31 December 2038
Boxberg Q	857	-	-	31 December 2038

(1) Property of EnBW

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.

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 is being cleared. 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.

EP New Energies GmbH („EPNE“), the EPPE 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 EPPE Group's renewable energy strategy to transform real estate capabilities and former open-cast mining areas by implementing onshore wind energy and photovoltaics.

On 31 May 2021, Energetický a průmyslový holding, a.s. as sole shareholder provided a cash contribution of EUR 55 million to other capital funds of Company.



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 2020.

## Appendices\*:

Appendix 1 – Business combinations

Appendix 2 – Restated Consolidated statements of comprehensive income and Restated Consolidated statement of financial position

\* Information contained in the appendices form part of the complete set of these consolidated financial statements.

Date:	Signature of the authorised representative
31 May 2021	 
	Mgr. Marek Spurný Vice-Chairman of the Board of Directors
	Mgr. Pavel Horák Vice-Chairman 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 2019

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Fusine Energia S.r.L. are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2019 Total</b>
Property, plant, equipment, land, buildings	9	-	9
Trade receivables and other assets	5	-	5
Financial instruments – assets	4	-	4
Deferred tax assets	2	-	2
Provisions	(1)	-	(1)
Loans and borrowings	(3)	-	(3)
Trade payables and other liabilities	(2)	-	(2)
<b>Net identifiable assets and liabilities</b>	<b>14</b>	<b>-</b>	<b>14</b>
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(2)
<b>Cost of acquisition</b>			<b>12</b>
Consideration paid, satisfied in cash (A)			12
Consideration, other			-
<b>Total consideration transferred</b>			<b>12</b>
Less: Cash acquired (B)			-
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(12)</b>

(1) Represents values at 100% share.

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised since the acquisition date	5
Profit (loss) of the acquirees recognised since the acquisition date	1

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2019*	6
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	1

\* 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 EP Kilroot Limited and EP Ballylumford Limited are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2019 Total</b>
Property, plant, equipment, land, buildings	89	99	188
Intangible assets	7	-	7
Trade receivables and other assets	41	(3)	38
Inventories	41	(15)	26
Cash and cash equivalents	24	-	24
Restricted cash	3	-	3
Deferred tax assets	2	24	26
Provisions	(14)	(123)	(137)
Deferred tax liabilities	(9)	(17)	(26)
Loans and borrowings	(1)	-	(1)
Trade payables and other liabilities	(33)	-	(33)
<b>Net identifiable assets and liabilities</b>	<b>150</b>	<b>(35)</b>	<b>115</b>
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(10)
<b>Cost of acquisition</b>			<b>105</b>
Consideration paid, satisfied in cash (A)			105
Consideration, other			-
<b>Total consideration transferred</b>			<b>-</b>
Less: Cash acquired (B)			24
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(81)</b>

(1) Represents values at 100% share.

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised since the acquisition date	131
Profit (loss) of the acquirees recognised since the acquisition date	17

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2019*	274
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	19

\* 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 EP France Group are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2019 Total restated<sup>(2)</sup></b>
Property, plant, equipment, land, buildings	208	182	390
Intangible assets	21	33	54
Trade receivables and other assets	556	-	556
Financial instruments – assets	4	-	4
Inventories	81	(25)	56
Cash and cash equivalents	75	-	75
Provisions	(442)	(51)	(493)
Deferred tax liabilities	-	(56)	(56)
Loans and borrowings	(52)	50	(2)
Trade payables and other liabilities	(600)	29	(571)
<b>Net identifiable assets and liabilities</b>	<b>(149)</b>	<b>162</b>	<b>13</b>
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(6)
<b>Cost of acquisition</b>			<b>7</b>
Consideration paid, satisfied in cash (A)			7
Consideration, other			-
<b>Total consideration transferred</b>			<b>-</b>
Less: Cash acquired (B)			75
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>68</b>

(1) Represents values at 100% share.

(2) Restated 2019 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised since the acquisition date	1,106
Profit (loss) of the acquirees recognised since the acquisition date	(30)

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2019*	2,823
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	(17)

\* 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 Tynagh Energy Limited are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2019 Total</b>
Property, plant, equipment, land, buildings	114	(51)	63
Intangible assets	8	-	8
Trade receivables and other assets	10	(6)	4
Inventories	14	-	14
Cash and cash equivalents	34	-	34
Restricted cash	4	-	4
Provisions	(8)	-	(8)
Deferred tax liabilities	(10)	7	(3)
Loans and borrowings	(37)	-	(37)
Trade payables and other liabilities	(18)	-	(18)
<b>Net identifiable assets and liabilities</b>	<b>111</b>	<b>(50)</b>	<b>61</b>
Non-controlling interest			(12)
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(21)
<b>Cost of acquisition</b>			<b>28</b>
Consideration paid, satisfied in cash (A)			28
Purchase price liability			-
<b>Total consideration transferred</b>			<b>-</b>
Less: Cash acquired (B)			34
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>6</b>

(1) Represents values at 100% share.

<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised since the acquisition date	22
Profit (loss) of the acquirees recognised since the acquisition date	2
<i>In millions of EUR</i>	<b>2019 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2019*	144
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	12

\* Before intercompany elimination; based on local statutory financial information.

## Appendix 2 – Restated Consolidated statements of comprehensive income and Restated Consolidated statement of financial position

### Consolidated statement of comprehensive income

For the year ended 31 December 2019

In millions of EUR ("MEUR")

	2019 as published	Adjustments to purchase price allocation	2019 restated
Sales: Energy	5,103	-	5,103
Gain (loss) from commodity derivatives for trading with electricity and gas, net	3	-	3
<b>Total sales</b>	<b>5,106</b>	<b>-</b>	<b>5,106</b>
Cost of sales: Energy	(3,701)	-	(3,701)
Cost of sales: Other	(80)	-	(80)
<b>Total cost of sales</b>	<b>(3,781)</b>	<b>-</b>	<b>(3,781)</b>
<b>Subtotal</b>	<b>1,325</b>	<b>-</b>	<b>1,325</b>
Personnel expenses	(293)	-	(293)
Depreciation and amortisation	(281)	-	(281)
Repairs and maintenance	(58)	-	(58)
Emission rights, net	(305)	-	(305)
Negative goodwill	61	(22)	39
Taxes and charges	(91)	-	(91)
Other operating income	85	-	85
Other operating expenses	(239)	-	(239)
Own work capitalized	3	-	3
<b>Profit (loss) from operations</b>	<b>207</b>	<b>(22)</b>	<b>185</b>
Finance income	24	-	24
Finance expense	(56)	-	(56)
Profit (loss) from financial instruments	(5)	-	(5)
<b>Net finance income (expense)</b>	<b>(37)</b>	<b>-</b>	<b>(37)</b>
Share of profit (loss) of equity accounted investees, net of tax	135	-	135
<b>Profit (loss) before income tax</b>	<b>305</b>	<b>(22)</b>	<b>283</b>
Income tax expenses	(31)	-	(31)
<b>Profit (loss) for the year</b>	<b>274</b>	<b>(22)</b>	<b>252</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences from foreign operations	(11)	-	(11)
Foreign currency translation differences from presentation currency	18	-	18
Effective portion of changes in fair value of cash-flow hedges, net of tax	(219)	-	(219)
Fair value reserve included in other comprehensive income, net of tax	(23)	-	(23)
<b>Other comprehensive income for the year, net of tax</b>	<b>(235)</b>	<b>-</b>	<b>(235)</b>
<b>Total comprehensive income for the year</b>	<b>39</b>	<b>(22)</b>	<b>17</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Company	269	(22)	247
Non-controlling interest	5	-	5
<b>Profit (loss) for the year</b>	<b>274</b>	<b>(22)</b>	<b>252</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	34	(22)	12
Non-controlling interest	5	-	5
<b>Total comprehensive income for the year</b>	<b>39</b>	<b>(22)</b>	<b>17</b>
<b>Total basic and diluted earnings per share in EUR</b>	<b>2,287</b>	<b>(187)</b>	<b>2,100</b>



## Consolidated statement of financial position

As at 31 December 2019

In millions of EUR ("MEUR")

	2019 as published	Changes in presentation of tax receivables	Adjustments to purchase price allocation	2019 restated
<b>Assets</b>				
Property, plant and equipment	2,332	-	-	2,332
Intangible assets	187	-	-	187
Goodwill	41	-	-	41
Equity accounted investees	763	-	-	763
Restricted cash	-	-	-	-
Financial instruments and other financial assets	464	-	-	464
Trade receivables and other assets	113	-	-	113
Deferred tax assets	68	-	-	68
<b>Total non-current assets</b>	<b>3,968</b>	<b>-</b>	<b>-</b>	<b>3,968</b>
Inventories	320	-	-	320
Extracted minerals and mineral products	6	-	-	6
Trade receivables and other assets	788	154	-	942
Financial instruments and other financial assets	431	-	-	431
Prepayments and other deferrals	20	-	-	20
Tax receivables	167	(154)	-	13
Restricted cash	42	-	-	42
Cash and cash equivalents	472	-	-	472
<b>Total current assets</b>	<b>2,246</b>	<b>-</b>	<b>-</b>	<b>2,246</b>
<b>Total assets</b>	<b>6,214</b>	<b>-</b>	<b>-</b>	<b>6,214</b>
<b>Equity</b>				
Share capital	905	-	-	905
Other reserves	(460)	-	-	(460)
Retained earnings	997	-	(22)	975
<b>Total equity attributable to equity holders</b>	<b>1,442</b>	<b>-</b>	<b>(22)</b>	<b>1,420</b>
Non-controlling interest	74	-	-	74
<b>Total equity</b>	<b>1,516</b>	<b>-</b>	<b>(22)</b>	<b>1,494</b>
<b>Liabilities</b>				
Loans and borrowings	313	-	-	313
Financial instruments and financial liabilities	43	-	-	43
Provisions	1,276	-	22	1,298
Contract liabilities	-	-	-	-
Deferred tax liabilities	90	-	-	90
Trade payables and other liabilities	102	-	-	102
<b>Total non-current liabilities</b>	<b>1,824</b>	<b>-</b>	<b>22</b>	<b>1,846</b>
Trade payables and other liabilities	948	-	-	948
Contract liabilities	119	-	-	119
Loans and borrowings	973	-	-	973
<i>of which owed to shareholders</i>	552	-	-	552
Financial instruments and financial liabilities	323	-	-	323
Provisions	503	-	-	503
Deferred income	1	-	-	1
Current income tax liability	7	-	-	7
<b>Total current liabilities</b>	<b>2,874</b>	<b>-</b>	<b>-</b>	<b>2,874</b>
<b>Total liabilities</b>	<b>4,698</b>	<b>-</b>	<b>22</b>	<b>4,720</b>
<b>Total equity and liabilities</b>	<b>6,214</b>	<b>-</b>	<b>-</b>	<b>6,214</b>

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of EP Power Europe, 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 EP Power Europe, 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 2020, and the consolidated income statement, 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 2020, 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 Matter

The consolidated financial statements of EP Power Europe, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 20 May 2020.

#### 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 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 financial statements is, in all material respects, consistent with the consolidated 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 May 2021

Audit firm:

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



Statutory auditor:

Ladislav Šauer  
registration no. 2261



# **STATUTORY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

**BALANCE SHEET**  
full version

**EP Power Europe, a.s.**  
Corporate ID 278 58 685

As of  
31.12.2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		31.12.2020			31.12.2019
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>51 495 079</b>	<b>623</b>	<b>51 494 456</b>	<b>57 659 953</b>
<b>B.</b>	<b>Fixed assets</b>	<b>33 643 733</b>	<b>623</b>	<b>33 643 110</b>	<b>33 177 084</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>1 204</b>	<b>210</b>	<b>994</b>	<b>1 054</b>
B.I.2.	<i>Valuable rights</i>	<b>1 204</b>	<b>210</b>	<b>994</b>	<b>1 054</b>
B.I.2.2.	Other valuable rights	1 204	210	994	1 054
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>2 730</b>	<b>413</b>	<b>2 317</b>	<b>156</b>
B.II.2.	Tangible movable assets and sets of tangible movable assets	2 730	413	2 317	156
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>33 639 799</b>		<b>33 639 799</b>	<b>33 175 874</b>
B.III.1.	Equity investments - controlled or controlling entity	32 096 378		32 096 378	31 955 163
B.III.3.	Equity investments in associates	1 543 421		1 543 421	1 220 711
<b>C.</b>	<b>Current assets</b>	<b>17 844 004</b>		<b>17 844 004</b>	<b>24 472 920</b>
<i>C.I.</i>	<i>Inventories</i>	<b>31 698</b>		<b>31 698</b>	<b>38 240</b>
C.I.2.	Work in progress and semifinished goods	31 698		31 698	38 240
<i>C.II.</i>	<i>Receivables</i>	<b>17 751 581</b>		<b>17 751 581</b>	<b>24 243 578</b>
C.II.1.	Long-term receivables	<b>6 819 761</b>		<b>6 819 761</b>	<b>9 434 035</b>
C.II.1.2.	Receivables - controlled or controlling entity	6 681 828		6 681 828	9 434 035
C.II.1.5.	<i>Receivables - other</i>	<b>137 933</b>		<b>137 933</b>	
C.II.1.5.4.	Sundry receivables	137 933		137 933	
<i>C.II.2.</i>	<i>Short-term receivables</i>	<b>10 931 820</b>		<b>10 931 820</b>	<b>14 809 543</b>
C.II.2.1.	Trade receivables	154 382		154 382	232 907
C.II.2.2.	Receivables - controlled or controlling entity	10 700 530		10 700 530	14 512 082
C.II.2.4.	<i>Receivables - other</i>	<b>76 908</b>		<b>76 908</b>	<b>64 554</b>
C.II.2.4.3.	State - tax receivables	67 631		67 631	56 818
C.II.2.4.4.	Short-term prepayments made	8 192		8 192	1 085
C.II.2.4.5.	Estimated receivables	39		39	6 060
C.II.2.4.6.	Sundry receivables	1 046		1 046	591
<i>C.IV.</i>	<i>Cash</i>	<b>60 725</b>		<b>60 725</b>	<b>191 102</b>
C.IV.1.	Cash on hand	17		17	1
C.IV.2.	Cash at bank	60 708		60 708	191 101
<b>D.</b>	<b>Other assets</b>	<b>7 342</b>		<b>7 342</b>	<b>9 949</b>
D.1.	Deferred expenses	158		158	152
D.3.	Accrued income	7 184		7 184	9 797

		31.12.2020	31.12.2019
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>51 494 456</b>	<b>57 659 953</b>
<b>A.</b>	<b>Equity</b>	<b>32 430 387</b>	<b>32 056 405</b>
<i>A.I.</i>	<i>Share capital</i>	<i>23 526 200</i>	<i>23 526 200</i>
A.I.1.	Share capital	23 526 200	23 526 200
<i>A.II.</i>	<i>Share premium and capital funds</i>	<i>2 989 966</i>	<i>2 907 326</i>
A.II.2.	Capital funds	2 989 966	2 907 326
A.II.2.1.	Other capital funds	3 319 868	3 098 942
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-329 902	-191 616
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>3 619 034</i>	<i>890 208</i>
A.IV.1.	Accumulated profits or accumulated loss brought forward (+/-)	3 546 379	890 208
A.IV.2.	Statutory and other funds	72 655	
A.V.	<i>Profit or loss for the current period (+/-)</i>	<i>2 295 187</i>	<i>4 732 671</i>
<b>B.+C.</b>	<b>Liabilities</b>	<b>19 064 063</b>	<b>25 603 541</b>
<b>B.</b>	<b>Provisions</b>	<b>6 955</b>	<b>12 333</b>
B.2.	Income tax provisions		8 772
B.4.	Other provisions	6 955	3 561
<b>C.</b>	<b>Payables</b>	<b>19 057 108</b>	<b>25 591 208</b>
<i>C.I.</i>	<i>Long-term payables</i>	<i>8 142 854</i>	<i>10 204 656</i>
C.I.6.	Payables - controlled or controlling entity	8 142 854	10 204 656
<i>C.II.</i>	<i>Short-term payables</i>	<i>10 914 254</i>	<i>15 386 552</i>
C.II.2.	Payables to credit institutions	2	
C.II.4.	Trade payables	38 298	127 814
C.II.6.	Payables - controlled or controlling entity	10 818 227	15 244 587
C.II.8.	<i>Other payables</i>	<i>57 727</i>	<i>14 151</i>
C.II.8.3.	Payables to employees	6 633	5 361
C.II.8.4.	Social security and health insurance payables	1 641	1 290
C.II.8.6.	Estimated payables	49 432	7 500
C.II.8.7.	Sundry payables	21	
<b>D.</b>	<b>Other liabilities</b>	<b>6</b>	<b>7</b>
D.1.	Accrued expenses	6	7

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

**EP Power Europe, a.s.**  
**Corporate ID 278 58 685**

Year ended  
31.12.2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		Year ended 31.12.2020	Year ended 31.12.2019
I.	Sales of products and services	113 265	181 343
A.	Purchased consumables and services	146 170	145 377
A.2.	Consumed material and energy	1 076	901
A.3.	Services	145 094	144 476
B.	Change in internally produced inventory (+/-)	6 542	24 796
D.	Staff costs	177 995	147 228
D.1.	Payroll costs	148 606	124 767
D.2.	Social security and health insurance costs and other charges	29 389	22 461
D.2.1.	Social security and health insurance costs	29 365	22 444
D.2.2.	Other charges	24	17
E.	Adjustments to values in operating activities	389	116
E.1.	Adjustments to values of intangible and tangible fixed assets	389	116
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	389	116
III.	Other operating income	12 422	80 437
III.3.	Sundry operating income	12 422	80 437
F.	Other operating expenses	19 803	86 354
F.3.	Taxes and charges	31	26
F.4.	Reserves relating to operating activities and complex deferred expenses	3 394	1 777
F.5.	Sundry operating expenses	16 378	84 551
*	<b>Operating profit or loss (+/-)</b>	<b>-225 212</b>	<b>-142 091</b>
IV.	Income from non-current financial assets - equity investments	2 218 667	5 935 688
IV.1.	Income from equity investments - controlled or controlling entity	2 218 667	5 935 688
G.	Costs of equity investments sold	1 045	543 318
VI.	Interest income and similar income	481 022	390 998
VI.1.	Interest income and similar income - controlled or controlling entity	477 617	390 998
VI.2.	Other interest income and similar income	3 405	
I.	Adjustments to values and reserves relating to financial activities	-355 574	355 574
J.	Interest expenses and similar expenses	511 709	575 563
J.1.	Interest expenses and similar expenses - controlled or controlling entity	511 709	575 561
J.2.	Other interest expenses and similar expenses		2
VII.	Other financial income	1 001 367	703 153
K.	Other financial expenses	1 032 547	665 344
*	<b>Financial profit or loss (+/-)</b>	<b>2 511 329</b>	<b>4 890 040</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>2 286 117</b>	<b>4 747 949</b>
L.	Income tax	-9 070	15 278
L.1.	Due income tax	-9 070	15 278
**	<b>Profit or loss net of tax (+/-)</b>	<b>2 295 187</b>	<b>4 732 671</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>2 295 187</b>	<b>4 732 671</b>
*	Net turnover for the current period	3 826 743	7 291 619

# STATEMENT OF CHANGES IN EQUITY

Year ended  
31.12.2020  
(in CZK thousand)

EP Power Europe, a.s.  
Corporate ID 278 58 685

Pařížská 130/26  
Josefov  
110 00 Praha 1

	Share capital	Gains or losses from the revaluation of assets	Capital funds	Accumulated losses brought forward	Other profit/loss - previous periods	Profit or loss for the current period	TOTAL EQUITY
<b>Balance at 31 December 2018</b>	<b>14 602 800</b>	<b>-423 466</b>	<b>3 098 942</b>	<b>-117 602</b>		<b>224 747</b>	<b>17 385 421</b>
Impact of merger as at 1 January 2019 (NADURENE a.s.)		1 913		-1 424			489
Impact of merger as at 1 January 2019 (EPPE Italy N.V.)	8 923 400			784 487			9 707 887
Distribution profit or loss - EP Power Europe, a.s.				224 747		-224 747	
<b>Balance at 1 January 2019</b>	<b>23 526 200</b>	<b>-421 553</b>	<b>3 098 942</b>	<b>890 208</b>			<b>27 093 797</b>
Gains or losses from the revaluation of assets		229 937					229 937
Profit for the current period						4 732 671	4 732 671
<b>Balance at 31 December 2019</b>	<b>23 526 200</b>	<b>-191 616</b>	<b>3 098 942</b>	<b>890 208</b>		<b>4 732 671</b>	<b>32 056 405</b>



# CASH FLOW STATEMENT

EP Power Europe, a.s.  
Corporate ID 278 58 685

Year ended  
31.12.2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		Year ended 31.12.2020	Year ended 31.12.2019
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>191 102</b>	<b>26 244</b>
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss from ordinary activities before tax	2 286 117	4 675 294
A.1.	Adjustments for non-cash transactions	-2 584 801	-4 913 655
A.1.1.	Depreciation of fixed assets	389	116
A.1.2.	Change in provisions and reserves	-352 180	353 368
A.1.4.	Revenues from profit shares	-2 218 667	-5 935 688
A.1.5.	Expenses from profit shares	1 045	543 318
A.1.6.	Interest expense and interest income	30 687	184 565
A.1.7.	Adjustments for other non-cash transactions	-46 075	-59 334
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>-298 684</b>	<b>-238 361</b>
A.2.	Change in working capital	-68 913	-55 303
A.2.1.	Change in operating receivables and other assets	-9 425	-147 957
A.2.2.	Change in operating payables and other liabilities	-66 030	62 833
A.2.3.	Change in inventories	6 542	29 821
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>-367 597</b>	<b>-293 664</b>
A.3.	Interest paid	-451 647	-279 732
A.4.	Interest received	335 449	203 339
A.5.	Income tax paid from ordinary operations	-8 481	-9 483
<b>A.***</b>	<b>Net operating cash flows</b>	<b>-492 276</b>	<b>-379 540</b>
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-13 578	-155 836
B.2.	Proceeds from fixed assets sold		2 116 688
B.3.	Loans and borrowings to related parties	4 154 472	-10 246 764
<b>B.***</b>	<b>Net investment cash flows</b>	<b>4 140 894</b>	<b>-8 285 912</b>
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-3 778 995	8 830 310
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-3 778 995</b>	<b>8 830 310</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-130 377</b>	<b>164 858</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>60 725</b>	<b>191 102</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>Company Name:</b>	EP Power Europe, a.s.
<b>Registered Office:</b>	Pařížská 130/26, Josefov, 110 00 Prague 1
<b>Legal Status:</b>	Joint-Stock Company
<b>Corporate ID:</b>	278 58 685

## CONTENTS:

<b>1.</b>	<b>GENERAL INFORMATION .....</b>	<b>3</b>
1.1.	Incorporation and description of the Company .....	3
1.2.	Board of Directors and Supervisory Board as of the Balance Sheet Date.....	3
<b>2.</b>	<b>ACCOUNTING POLICIES.....</b>	<b>4</b>
2.1.	Tangible and Intangible Fixed Assets .....	4
2.2.	Non-Current Financial Assets .....	5
2.3.	Inventory .....	5
2.4.	Receivables .....	6
2.5.	Payables .....	6
2.6.	Income Tax .....	6
2.7.	Loans Received.....	6
2.8.	Foreign Currency Translation .....	6
2.9.	Recognition of Expenses and Revenues.....	7
2.10.	Use of Estimates .....	7
2.11.	Consolidation .....	7
2.12.	Year-on-Year Changes in Accounting Policies.....	7
<b>3.</b>	<b>OTHER SIGNIFICANT EVENTS – EFFECTS OF COVID-19 ON THE FINANCIAL STATEMENTS .....</b>	<b>8</b>
<b>4.</b>	<b>CASH FLOW STATEMENT .....</b>	<b>9</b>
<b>5.</b>	<b>ADDITIONAL INFORMATION.....</b>	<b>10</b>
5.1.	Non-current financial assets.....	10
5.2.	Inventory .....	11
5.3.	Long-term receivables.....	11
5.4.	Short-term receivables .....	11
5.5.	Equity.....	12
5.6.	Long-term payables.....	13
5.7.	Short-term payables .....	14
5.8.	Income and expenses .....	14
5.9.	Income tax.....	15
5.10.	Information on related parties (except for balances presented above).....	15
5.11.	Employees, executives and statutory bodies .....	15
5.12.	Significant off-balance sheet transactions.....	16
<b>6.</b>	<b>SUBSEQUENT EVENTS.....</b>	<b>16</b>

## 1. GENERAL INFORMATION

### 1.1. Incorporation and description of the Company

EP Power Europe, a.s. (the “Company”, “EPPE”) was incorporated as a joint-stock company on 16 September 2008 following its registration in the Register of Companies maintained by the Regional Court in Ostrava. On 25 May 2016, the file number was transferred to the Municipal Court in Prague.

The EPPE Group is an energy utility group specialising in the generation of electric power, renewable resources, brown coal mining and trading.

The following table shows legal entities with an equity interest and the amount of their equity interest:

Shareholder	Ownership percentage
Energetický a průmyslový holding, a.s.	100%
<b>Total</b>	<b>100%</b>

### 1.2. Board of Directors and Supervisory Board as of the Balance Sheet Date

	Position	Name
<b>Board of Directors</b>	Chairman	Daniel Křetínský
	Vice-Chairman	Pavel Horský
	Vice-Chairman	Marek Spurný
	Vice-Chairman	Tomáš David
	Vice-Chairman	Jan Špringl
	Member	Jiří Feist
	Member	Tomáš Novotný
	Member	Filip Bělák
	Member	Miroslav Haško
	Member	Leif Timmermann
	Member	Gary Wheatley Mazzotti
<b>Supervisory Board</b>	Member	Ivan Jakabovič
	Member	Martin Fedor
	Member	Miloš Badida

## 2. ACCOUNTING POLICIES

The Company's accounting books and records are maintained and the financial statements were prepared in compliance with Accounting Act No. 563/1991 Coll., as amended; Regulation No. 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis (unless stated otherwise), the accruals principle, the prudence concept and the going concern assumption.

The Company's financial statements have been prepared as of and for the year ended 31 December 2020 ("2020").

These financial statements are presented in thousands of Czech crowns (CZK '000), unless stated otherwise.

### 2.1. Tangible and Intangible Fixed Assets

#### *Valuation*

Purchased tangible and intangible assets are valued in accordance with Section 46 of Regulation No. 500/2002 Coll. Tangible fixed assets with an acquisition cost lower than CZK 40 thousand and intangible fixed assets with an acquisition cost lower than CZK 60 thousand are not recognised in the balance sheet and are expensed in the year of their acquisition.

Temporary decrease in value of tangible and intangible fixed assets is recognised through impairment, which is reported in the balance sheet in the 'Adjustment' column together with depreciation and amortisation.

The cost of tangible and intangible fixed asset improvements increases the acquisition cost of the related fixed asset.

Repairs and maintenance are expensed in the current reporting period.

#### *Depreciation and Amortisation*

Depreciation and amortisation are charged so as to write off the cost of tangible and intangible fixed assets, over their estimated useful lives, using the straight-line method on a monthly basis. The first depreciation and amortisation charge is made in the month following the date the asset is put in service and depreciation and amortisation are discontinued in the month the asset is disposed of.

The following table presents the methods and number of years of depreciation and amortisation as per the asset type:

Type of assets	Depreciation/amortisation method	Number of years
Computers	Straight-line	3 years
Cars	Straight-line	5 years
Trademarks	Straight-line	20 years

Land, works of art and fixed assets under construction are not depreciated.

## **2.2. Non-Current Financial Assets**

Non-current financial assets consist of equity investments in subsidiaries and associates, securities available for sale and debt securities held to maturity falling due in more than one year.

Upon acquisition securities and equity investments are carried at cost. The cost of securities includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments - controlled entity and equity investments in associates, or securities and equity investments available for sale.

Financial assets maturing in or intended to be held for more than one year are reported as non-current; financial assets maturing in or intended to be held for less than one year are reported as current.

Investments in enterprises in which the Company has the power to govern the financial flows and operating policies so as to obtain benefits from their operations are treated as 'Equity investments - controlled entity'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial flows and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates.'

Investments that do not fall within any of the above categories are classified as other non-current equity investments.

### *Valuation of financial assets as of the balance sheet date*

As of the balance sheet date, equity investments are valued at cost and in case of a temporary decrease in value of a relevant investment, an impairment is created.

If securities are held in foreign currencies, they are translated as of the balance sheet date using the current exchange rates announced by the Czech National Bank. Gains or losses are recognized in equity as Gains or losses from the revaluation of assets and liabilities.

## **2.3. Inventory**

Work in progress is valued at the production cost, which primarily consists of material and labour costs and other operating expenses based on the state of completion. Decrease in work in progress is measured by actual own costs.

## **2.4. Receivables**

On initial recognition, receivables are measured at their nominal value. Subsequent temporary decrease in value is recorded as doubtful and bad debt adjustment. Receivables acquired for consideration or through an investment are stated at cost less doubtful and bad debt adjustment.

## **2.5. Payables**

Payables are recognised at nominal value.

## **2.6. Income Tax**

Current income tax is calculated using the actual 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 provisions and impairments, representation costs, differences between accounting depreciation and tax depreciation of assets).

An income tax provision is recognized as the financial statements are prepared before the tax liability is determined. In the subsequent reporting period, the Company releases the provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net liability (if any) is recorded in 'Income tax reserve', and the net receivable (if any) is recorded in 'State – tax receivables'.

Deferred tax is determined for companies constituting a group of companies and for all reporting entities with 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 reporting period.

A deferred tax asset is recognised only if it is probable that it will be utilised in future reporting periods.

## **2.7. Loans Received**

Short-term and long-term loans are initially recorded at their nominal value upon receipt. Upon the preparation of the financial statements, the loan balances are increased by outstanding interest charged by banks or other parties. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

## **2.8. Foreign Currency Translation**

Assets and liabilities denominated in foreign currencies are translated to CZK using the official exchange rate of the Czech National Bank effective on the date of acquisition of an asset or the occurrence of a liability.

Realised foreign exchange gains and losses are recognised in the income or expenses of the current year. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated using the prevailing official exchange rate of the Czech National Bank and all foreign exchange gains or losses from the revaluation of assets and liabilities are recognised in financial income or financial expenses (apart from equity investments, see Note 2.2.).

## **2.9. 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, provisions and impairments are created to cover all risks, losses and value decreases known as of the balance sheet date and are charged to expenses.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

## **2.10. Use of Estimates**

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

## **2.11. Consolidation**

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU. The Czech translation of the consolidated financial statements, along with the consolidated annual report, will be published in the Company register.

The consolidated financial statements for the widest group of entities are prepared by EP Investment S.à r.l, with its registered office at Avenue John F. Kennedy 39, L-1855 Luxembourg. They will be available at the Company' registered office.

## **2.12. Year-on-Year Changes in Accounting Policies**

In the reporting period for which the financial statements have been prepared, the Company made no changes to its accounting policies.



---

### **3. OTHER SIGNIFICANT EVENTS – EFFECTS OF COVID-19 ON THE FINANCIAL STATEMENTS**

There are no uncertainties arising for the Company from the events related to COVID-19 that would cast material doubt on the Company's ability to continue as a going concern.

In accordance with the disclosure requirements, the Company carefully considered its specific circumstances and risk factors when analysing the impact that the global COVID-19 pandemic may have on its financial statements. Based on the assessment, no material impacts on the 2020 financial statements were identified. In particular, the Company focused on the following areas:

- In the context of the impact of the pandemic, the methodology for making assumptions and estimates is not different from that applied in previous financial statements. Any changes are described in the paragraphs above and have a different (e.g. legislative) reason.
- When assessing the impact of the pandemic, no grounds for impairment of non-financial assets were identified and therefore the Company believes that the financial statements fully reflect the recoverable or net realisable value of the asset.
- Similarly, the valuation of assets at fair value or the identification of provisions and the classification of financial assets fully reflected market data at the valuation date under current market conditions. The Company assessed the ability of debtors to meet their obligations. The Company also critically considered whether its business operations were affected by supply and demand disruptions and did not identify any material impacts that would be reflected in the valuation of financial assets.
- The Company did not receive any government aid.
- The pandemic situation did not affect compliance with the covenants.
- The Company did not eliminate any items from operating profit or introduce any new alternative performance measures in relation to COVID-19.

Despite the uncertainty regarding future events, the Company's management will continue to critically monitor and evaluate the impacts and take or modify appropriate actions as necessary to eliminate or successfully address and mitigate, to the maximum extent possible, any financial and non-financial impacts that may arise.

#### 4. CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

	(in CZK thousand)	
	<b>Balance as of 31/12/2020</b>	<b>Balance as of 31/12/2019</b>
Cash on hand	17	1
Cash at bank	60 708	191 101
<b>Total</b>	<b>60 725</b>	<b>191 102</b>

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

**5. ADDITIONAL INFORMATION****5.1. Non-current financial assets**Equity investments – controlled entity

(in CZK thousand)

Company name	Ownership	Total profit (+) /loss (-)  for the period 1/1/2020 – 31/12/2020	Equity  as of 31/12/2020	Value of equity investment as of 31/12/2020	Value of equity investment as of 31/12/2019
<i>Equity investments – controlled entity (before impairments)</i>					
EPPE Germany, a.s.	100%	26	3 841 522	3 770 850	3 759 850
EP Commodities, a.s.*	100%	704 804	1 926 513	734 695	734 695
EP UK Investments Ltd	100%	-692 328	3 150 652	6 239 657	6 384 159
EP France S.A.S*	100%	169 568	9 301 710	72 657	72 658**
EP New Energy Italia S.r.l.*	51%	323 177	1 670 065	489 888	474 302
Biomasse Servizi S.r.l.*	51%	3 646	15 666	4 149	4 017
EP Produzione S.p.A.	100%	3 536 863	9 502 076	20 500 192	20 497 645
EP Resources AG	100%	12 982	248 292	242 980	23 416
EP Ukraine B.V.*	90%	-2 927	-2 782	1 417	1 372
EP Yuzivska B.V*.	100%	-1 289	38 086	39 892	38 623
<b>Total</b>				<b>32 096 377</b>	<b>31 990 737</b>
<i>Equity investments in associates (before provisions)</i>					
Ergosud S.p.A.	50%	-17 515	3 728 722	1 542 376	1 540 711
Boldore a.s.*	50%	-489	1 511	1 045	-
<b>Total</b>				<b>1 543 421</b>	<b>1 540 711</b>

\* Data based on unaudited statutory financial statements of the companies.

\*\* For information regarding corrected data refer to Other profit or loss from prior years in Note 5.5

Registered offices of the companies as of 31 December 2020 are as follows:

Biomasse Servizi S.r.l.	Via Vittorio Veneto 74, Roma, Italy
EPPE Germany, a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Commodities, a.s.	Klimentská 1216/46, Nové Město, 110 00 Praha 1, Czech Republic
EP UK Investments Ltd	Byron House, 7 – 9 St James's Street, London, UK
EP France S.A.S.	Rue du Débarcadère 9, 92700 Colombes, France
EP New Energy Italia S.r.l.	Via Vittorio Veneto 74, Roma, Italy
EP Produzione S.p.A.	Via Vittorio Veneto 74, Roma, Italy
EP Resources AG	Lindenstrasse 14, CH-6340 Baar, Switzerland
EP Ukraine B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Netherlands
EP Yuzivska B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Netherlands
Boldore a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Ergosud S.p.A.	Via Vittorio Veneto 74, Roma, Italy

In 2019, impairment was recognised against the following investments: Ergosud S.p.A. (CZK 320,000 thousand) and EP Yuzivska B.V. (CZK 35,574 thousand). Impairments were released in 2020.

*In 2020, the following changes in non-current financial assets were made:*

On 20 May 2020, a 100% equity investment in Boldore a.s. was acquired.

On 27 May 2020, a 50% equity investment in Boldore a.s. was sold.

On 11 May 2020, an additional equity contribution of CZK 11,000 thousand was provided to EPPE Germany, a.s.

## 5.2. Inventory

Work-in-progress includes own costs of provided consulting services for unfinished projects. Unfinished projects are held on the balance sheet until they are closed and invoiced to the counterparty.

## 5.3. Long-term receivables

*Receivables – controlled or controlling entity*

31 December 2020

Counterparty	Principal	(in CZK thousand)
		Outstanding interest as of 31/12/2020
Energetický a průmyslový holding, a.s.	6 676 576	-*
EPPE Germany, a.s.	5 249	3
<b>Total</b>	<b>6 681 825</b>	<b>3</b>

\* Outstanding interest is presented in Short-term receivables.

31 December 2019

Counterparty	Principal	(in CZK thousand)
		Outstanding interest as of 31/12/2019
Energetický a průmyslový holding, a.s.	9 434 035	-*
<b>Total</b>	<b>9 434 035</b>	<b>-</b>

\* Outstanding interest is presented in Short-term receivables.

*Sundry receivables*

As of 31 December 2020, sundry receivables consist mainly of a loan provided to a non-related party in the amount of CZK 137,933 thousand (including outstanding interest of CZK 3,376 thousand).

## 5.4. Short-term receivables

*Trade receivables*

As of 31 December 2020, trade receivables amount to CZK 154,382 thousand (as of 31 December 2019: CZK 232,907 thousand). As of the balance sheet date, there are no trade receivables with a maturity exceeding 5 years.

*Receivables – controlled or controlling entity*

31 December 2020

(in CZK thousand)		
Counterparty	Principal	Outstanding interest as of 31/12/2020
Energetický a průmyslový holding, a.s.	-*	604
EP Commodities	40 000	-
EP France S.A.S	3	3
EP Resources AG	71 572	-
EP Ukraine B.V.	3 307	139
EP UK Investments Ltd	10 332 687	38 056
<b>Total</b>	<b>10 447 569</b>	<b>38 802</b>

\*Outstanding principal is presented in Long-term receivables

As of 31 December 2020, Receivables – controlled or controlling entity also include a receivable from EP New Energy Italia S.r.l. arising from an outstanding dividend in the amount of CZK 214,159 thousand.

31 December 2019

(in CZK thousand)		
Counterparty	Principal	Outstanding interest as of 31/12/2019
Energetický a průmyslový holding, a.s.	625 688	37 142
EP France S.A.S	3	612
EP Resources AG	160 609	-
EP Ukraine B.V.	3 202	6
EP UK Investments Ltd	13 646 890	37 930
<b>Total</b>	<b>14 436 392</b>	<b>75 690</b>

*State – tax receivables*

As of 31 December 2020, this item principally includes a receivable arising from other direct taxes in the amount of CZK 44,687 thousand and a receivable arising from value-added tax in the amount of CZK 14,159 thousand.

As of December 2019, this item principally includes a receivable arising from value-added tax in the amount of CZK 12,095 thousand and a receivable arising from other indirect taxes of CZK 44,720 thousand.

**5.5. Equity**

As of 31 December 2020, EPPE has a total of 117,613 ordinary certificated registered shares with a nominal value of CZK 200 thousand per share; the Company's registered capital thus amounts to CZK 23,526,200 thousand.

On 3 July 2020, the Company's shareholder provided EPPE a contribution to other capital funds in the amount of CZK 220,926 thousand, which was offset against a loan provided by the shareholder.

The change in Gains or losses from the revaluation of assets and liabilities is due to foreign exchange differences arising from the translation equity investments held in foreign currencies.

On 30 June 2020, the General Meeting of the Company decided to transfer the profit for the year 2019 to the retained earnings.

On 30 December 2020, the sole shareholder of the Company decided on the payment of a dividend of CZK 2,003,845 thousand, which was offset against the loan granted.

As of the date of approval of the financial statements, there is no proposal for distribution of the current year's profit in place yet. The proposal for distribution will be prepared by the Board of Directors for the Company's shareholder and subsequently discussed and approved at the General Meeting.

Other profit or loss from prior years includes a correction of an accounting error made in 2019 when indirect acquisition costs arising from the acquisition of an equity investment in EP France S.A.S. in the amount of CZK 72,655 were recognised in expenses instead of non-current financial assets.

No treasury shares were acquired during the 2020 reporting period.

## 5.6. Long-term payables

### *Payables – controlled or controlling entity*

31 December 2020

(in CZK thousand)		
Counterparty	Principal	Outstanding interest as of 31/12/2020
EP Produzione S.p.A.	8 142 854	-*
<b>Total</b>	<b>8 142 854</b>	<b>-</b>

\* Outstanding interest is presented in Short-term payables.

31 December 2019

(in CZK thousand)		
Counterparty	Principal	Outstanding interest as of 31/12/2019
EP Produzione S.p.A.	10 204 656	-*
<b>Total</b>	<b>10 204 656</b>	<b>-</b>

\* Outstanding interest is presented in Short-term payables.

**5.7. Short-term payables***Payables – controlled or controlling entity*

31 December 2020

(in CZK thousand)		
Counterparty	Principal	Outstanding interest as at 31/12/2020
Energetický a průmyslový holding, a.s.	10 618 547	37 298
EP Produzione S.p.A.	-	162 382*
<b>Total</b>	<b>10 618 547</b>	<b>199 680</b>

\* Outstanding principal is presented in Long-term payables.

31 December 2019

(in CZK thousand)		
Counterparty	Principal	Outstanding interest as at 31/12/2019
Energetický a průmyslový holding, a.s.	14 231 692	37 194
EP Commodities, a.s.	700 586	63 329
EP Produzione S.p.A.	-	211 786
<b>Total</b>	<b>14 932 278</b>	<b>312 309</b>

*Estimated payables*

As of 31 December 2020, estimated payables principally include unbilled expenses for guarantees amounting CZK 45,487 thousand (31 December 2019: CZK 0 thousand).

As of the balance sheet date, there are no trade payables with a maturity exceeding 5 years.

Social security and health insurance liabilities are not overdue.

**5.8. Income and expenses**

The decrease in sales was influenced by the provided centralised intragroup services, especially in the areas of controlling, financial management, legal advisory, central procurement, and IT.

Services principally include expenses arising from bookkeeping, auditing, consolidation, as well as legal and notary services.

Other operating income and other operating expenses principally include income from re-charges and expenses arising from provided gifts.

Income from equity investments - controlled or controlling entity mainly consists of income from a declared dividend of EP Produzione S.p.A in the amount of CZK 2,003,463 thousand (as of 31 December 2019: 3,819,000 thousand) and EP New Energy Italia S.r.l. in the amount of CZK 214,159 thousand (as of 31 December 2019: CZK 0 thousand).

Adjustments to values relating to financial activities in 2020 and 2019 represent valuation allowances to the equity investments described in Note 5.1.

Other financial expenses and other financial income mainly represent foreign exchange losses and foreign exchange gains, respectively.

**5.9. Income tax**

The current income tax estimate and overview of income tax prepayments as of 31 December 2020 and as of 31 December 2019 are shown below:

	Balance as of 31/12/2020	Balance as of 31/12/2019
Current income tax estimate	0	17 439
Current income tax prepayments	5 019	3 983
Corporate income tax overpaid 2019/2018	3 760	4 684
<b>Income tax reserve (+)</b>		
<b>/ State - tax receivables (-)</b>	<b>-8 779</b>	<b>8 772</b>

Revenues of CZK 9,070 thousand related to current income tax on ordinary activities for 2020 represent the difference between the tax liability for 2019 and the release of the income tax provision created as of 31 December 2019. As of 31 December 2020, the Company created no income tax provision.

Expenses of CZK 15,278 thousand related to current income tax on ordinary activities for 2019 represent the income tax provision created of CZK 17,439 thousand and the difference between the tax liability for 2018 and the release of the income tax provision created as of 31 December 2018 of CZK 2,161 thousand.

**5.10. Information on related parties (except for balances presented above)**

Pursuant to Regulation No. 500/2002 Coll, Section 39b (8), the Company does not disclose transactions concluded between reporting entities of the EPPE consolidation group if these consolidated reporting entities are fully owned by the Company.

In addition to income from re-invoicing and income described in more detail in other Notes above, the Company reported the following income from related parties that are not fully owned by the Company

	(in CZK thousand)			
	2020 Income	2020 Expenses	2019 Income	2019 Expenses
Interest income/expenses	301 021	171 821	223 523	164 420
Sales of services/purchased consumables and services	60 412	387	58 681	441
Other operating income/expenses	35	66 776	1 749	96 620
Other financial income/expenses	16 770	-	23 679	48 268
<b>Total</b>	<b>378 238</b>	<b>238 984</b>	<b>307 633</b>	<b>309 749</b>

**5.11. Employees, executives and statutory bodies**

The average number of the Company's employees during the reporting period was 37 (as of 31 December 2019: 33).

The members of the Company's Board of Directors, Supervisory Board or executives did not receive any advantages (advances, loans etc.) as a result of performing their duties in 2020 and 2019.



## 5.12. Significant off-balance sheet transactions

The Company reports off balance sheet payable arising from guarantees provided to group companies totalling CZK 1,855,771 thousand (as of 31 December 2019: CZK 1,979,760 thousand) and a receivable totalling CZK 1,312,247 thousand (as of 31 December 2019: CZK 1,270,497 thousand), which is the difference between the nominal value and acquisition cost of EPPE's receivable from EP France obtained during the acquisition of the EP France group.

## 6. SUBSEQUENT EVENTS

### *Capital contributions:*

On 31 May 2021, Energetický a průmyslový holding, a.s. as sole shareholder provided a cash contribution of CZK 1 402 million to other capital funds of Company.

### *Acquisitions:*

On 8 January 2021, a 100% equity investment in EP Resources CZ a.s. was acquired.

On 26 March 2021, a 100% equity investment in EP CTA GmbH was acquired.

On 21 April 2021, a 100% equity investment in EP HoldCo a.s. was acquired.

On 29 April 2021, a 50% equity investment in Boldore a.s. was acquired.

On 31 May 2021, a 100% equity investment in STEAG Power Minerals GmbH was acquired.

Prepared on: 31 May 2021



Pavel Horský  
Vice-chairman of the Board of Directors



Marek Spurný  
Vice-chairman of the Board of Directors

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of EP Power Europe, a.s.

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

#### Opinion

We have audited the accompanying financial statements of EP Power Europe, 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 2020, 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 EP Power Europe, a.s. as at 31 December 2020, 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 Matter

The financial statements of EP Power Europe, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 20 May 2020.

#### 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.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements is, in all material respects, consistent with the 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

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

The Board of Directors is 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 May 2021

Audit firm:

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



Statutory auditor:

Ladislav Šauer  
registration no. 2261

