EP Power Europe

EP Power Europe, a.s.

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2021

FINANCIAL AND OPERATIONAL HIGHLIGHTS OF THE YEAR

		2021	2020 restated*	2019 restated*
INCOME STATEMENT				
Revenues	€ million	16,443	5,378	5,106
Gross profit[1]	€ million	2,355	1,597	1,325
Earnings before interest, taxes, depreciation and amortization (Underlying EBITDA)[2]	€ million	962	525	427
Adjusted EBITDA	€ million	1,035	555	442
Earnings before interest and tax (EBIT)[3]	€ million	673	227	185
Net financial expense	€ million	(47)	(26)	(37)
Profit before income tax	€ million	565	304	283
Profit for the year	€ million	523	250	252
BALANCE SHEET				
Total assets	€ million	14,431	6,185	6,214
Equity total	€ million	2,200	1,603	1,494
Net working capital[4]	€ million	2,218	393	231
Net financial debt[5]	€ million	237	451	814
Net financial debt[5] (excl. loans and borrowings provided by EPH[6])	€ million	(1,217)	46	262
CASH FLOW STATEMENT				
Cash flow from operating activities	€ million	891	783	662
Cash flow from investing activities	€ million	(594)	(464)	(628)
Cash flow from financing activities	€ million	876	(228)	76
Change in cash and cash equivalents	€ million	1,173	91	110
Cash and cash equivalents	€ million	1,741	568	472
Capital expenditures (CAPEX)[7]	€ million	286	156	143
Income tax paid	€ million	138	33	17
Free Cash flow (FCF)[8]	€ million	538	336	267
RATIOS				
Net leverage[9]	x	0.2x	0.9x	1.9x
Net leverage[9] (excl. loans and borrowings provided by EPH[6])	x	(1.3)x	<0.1x	0.6x
Cash conversion[10]	%	56%	64%	63%
Operating KPIs				
Average number of employees	#	4,077	4,154	4,225
Net installed capacity[11]	MW	10,163	10,626	11,807
Net power production	TWh	37.3	34.7	30.1
Emissions intensity	t CO_2 /GWh	475	457	462

[*] 2020 and 2019 financials were restated, for more details see Consolidated financial statements for 2021 and 2020, respectively
[1] Grofit profit represents Revenues less Purchases and consumables
[2] Underlying EBITDA has been prepared in accordance with the definition set out in the note 5 to the Consolidated financial statements.
[3] EBIT = Profit (loss) from operations
[4] Net working capital = Trade receivables and other assets (non-current and current) + Inventories + Extracted minerals and mineral products + Prepayments and other deferrals (current) + Current income tax receivable – Trade payables and other liabilities (non-current and current) – Current income tax liability
[5] Net financial debt = Loans and borrowings – Cash and cash equivalents
[6] Energetický a průmyslový holding, a.s. („EPH“) is a parent company of EP Power Europe, a.s.

[7] Capital expenditure (CAPEX) represents additions to tangible and intangible assets less emission allowances, additions to right of use assets plus advances paid for tangible and intangible assets
[8] Free Cash flow is defined as Underlying EBITDA less CAPEX less Tax paid
[9] Net leverage = Net financial debt / Underlying EBITDA.
[10] Cash conversion = (Underlying EBITDA – CAPEX – Tax paid) / Underlying EBITDA
[11] 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken off the merchant market in December 2021 whereas the transmission system operator (Tennet) subsequently required Mehrum to be in a standby mode for at least 2022 for security of supply purposes which is pinpointed by the current market situation. On the other hand, the EPPE Group has been investing into new low emission sources in Italy, Ireland and the UK (installed capacity of the new power plants under construction is approx. 2.7 GW).

TABLE OF CONTENTS

INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Stakeholders,

It is my great pleasure to introduce you to the 2021 annual report of EP Power Europe, a.s. ("EPPE" or together with its subsidiaries the "Group").

EPPE had an outstanding year, the best one in its history, in spite of all the challenges posed by the COVID-19 pandemic continuing through 2021 and geopolitical tensions which subsequently, at the beginning of 2022, turned into an unprecedented and unjustifiable Russian military aggression against Ukraine not seen in Europe in decades.

Having said that, I am pleased to state that the key performance indicators of the Group improved across the board as compared to the previous year and, at the same time, we made significant progress also in terms of new project development and our environmental and social commitments, all of them being vital as prerequisites for the Group's future success.

Business Performance

With annual consolidated net power production of 37.3 TWh, net installed consolidated capacity of 10.2 GW and high powerplant availabilities, the EPPE group progressed towards being ranked as one of the most important power producers in the EU. EPPE's role will further strengthen, primarily due to the newly planned development projects, that, upon commissioning, will be providing much needed flexible power generation and security of supply in regions with market imbalances, helping to replace the less environmentally friendly power generation facilities by state of the art low- to zero-emission ones. Our new build projects are backed by long-term capacity contracts which will provide predictable performance and cash flow stability.

Environment

The carbon emission intensity of our generation, one of our most prominent KPIs, has decreased significantly over the last 7 years. Following our massive investments into new technologies and decommissioning of coal plants, the emission intensity factor (measured as tons of CO_2 emitted per GWh of energy produced) decreased by significant 40%. As a result of our investment programme and diligent operations, we are proud to say that 82% of net power produced in 2021 in our consolidated operations was from zero- or low-carbon-intensive sources. Going forward, we are taking necessary steps to further improve the emission intensity factor, encompassing both planned transformation and decommissioning of coal power plants (unless those which capacity is vitally needed for the respective energy system) and new developments and conversions. This is also in line with our commitment to decommission all our coal power plants by 2030 (except for Germany where the decommissioning timeline is in line with the government's central plan) and to reach net zero by 2050.

New Projects and Environmental Commitments

Historically, the Group has been growing through acquisitions. In the last years, we started to concentrate on developing green field flexible generation projects to support renewable expansion as

well as a sizeable pipeline of our own renewable projects. Among the most important projects of cutting edge very flexible generation belong Kilroot gas power plant in the UK with a capacity of almost 700 MW and Tavazzano gas power plant in Italy with a capacity of 800 MW. Further, we are about to launch additional market-critical new build gas development projects in Italy and in the Republic of Ireland, together with Kilroot and Tavazzano representing an investment of ca. €1.4 billion and a total installed capacity of 2.7 GW – a tribute to our strategy of providing both flexibility and security of supply to support massive deployment of intermittent renewable generation. All the above projects are backed by long-term regulated capacity agreements which will contribute to stability of financial performance going forward. All the above-mentioned projects we built hydrogen-ready. The projects we develop position us, to our best knowledge, as the largest European developer of the new flexible cutting-edge power generation capacity. This new capacity will contribute to an even greater stability of the EPPE results in the long run.

Additionally, we are focusing on development of renewable power generation. Via EP New Energies, the EPPE group's inhouse renewable developer, we develop multi-GW-scaled pipeline of renewable projects, largely in Germany, positioning us among the top developers of renewable projects on German market. For an illustration: in 2021, we selected GE to supply 300 MW of state-of-the-art 6 MW class wind turbines for our projects. The turbines will be installed in onshore wind farms in Germany, including the 100 MW project Forst-Briesnig II in the Federal State of Brandenburg. We develop several hundred MW scale PV projects, floating PV and also hybrid projects. Projects like Forst-Briesnig II are part of EPPE Group's renewable energy strategy of transforming the former open cast mining areas to renewable power generation areas, representing the true transition from conventional to sustainable power generation.

Financial Performance

In 2021, the consolidated Underlying EBITDA[1] of the Group reached €962 million which means an increase of 83% compared to 2020. This -historically the best result of the Group- was primarily driven by our Italian and UK operations where we provide security of supply services and much needed flexible power generation. The Free Cash Flow[2] reached €538 million, approx. 60% more than in 2020. Strong performance accompanied with superb Free Cash Flow contributed to further decrease of our indebtedness: our Net Leverage[3] was reduced to very low level of 0.2x, a substantial improvement compared to last year's 0.9x. Once again, we proved that the portfolio of assets we operate is robust in performance, carefully diversified, balanced and resilient even under relatively difficult circumstances. We were able to deliver record results despite extremely challenging environment of the global pandemic and geopolitical instability.

To conclude, the results achieved in 2021 show the strength of EPPE group's general business approach of combining activities in diverse business sectors and markets into a resilient portfolio balancing different, and often opposite, sensitivities to external factors and various risks such as variations in commodity prices. We are convinced that we achieved the outstanding results of 2021 by

[1] Underlying EBITDA has been calculated as Profit (loss) from operations less Depreciation and Amortisation and Negative goodwill (if any)

[2] Defined as EBITDA less CAPEX less Tax paid. Capital expenditure (CAPEX) represents additions to tangible and intangible assets less emission allowances, additions to right of use assets plus advances paid for tangible and intangible assets

[3] Defined as Net financial debt / EBITDA whereas Net financial debt represents Loans and borrowings less Cash and cash equivalents

virtue of carefully implementing our strategy during past years and through a consistent increase of our presence in the Western European power generation markets. I am positive that our strategy will prove successful despite the unprecedent challenges which 2022 is bringing.

On a very personal note, I would like to express my honest thanks and gratitude to our employees for their commitment and hard work which 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 accomplished together, and I am grateful to all of you.

Sincerely,

Jan Špringl

Vice chairman of the Board of Directors and CEO

1. COMBINED REVIEW OF OPERATIONS

1.1 Major events in 2021

Acquisitions and disposals

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

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

Takeover of remaining shares of Schkopau power plant

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

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

Financing

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 EPPE 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 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.

Other major events

European Union regulatory environment changes

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

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

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

EPH, parent company of EPPE, announced a plan to decrease CO_2 emissions on its fleet (status from August 2021) by 60% till 2030 and become climate neutral until 2050, with EPPE Group activities to be main driver of this process. In transforming EPH Group activities, EPH is also emphasizing the preservation of security of energy supply, affordability for customers and support for local economies in the regions concerned.

UK capacity market participation

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

Transformation towards low emission sources

On 1 April 2021, results of second auction for decommissioning of coal-fired power plants (”PP”) was announced by German Federal Network Agency. Deadline for offers into this auction was on 4 January 2021 and 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 has been no longer entitled to market the electricity generated in these plants after 8 December 2021, which has substantially reduced the CO2 produced by EPPE power plant portfolio since then. Mehrum is currently kept in a stand-by mode as per request of German Network regulator for network stability purposes until further decision.

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.

Agreement with German government by LEAG

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

With that the German Republic and the operators of lignite plants and opencast mines are implementing in a consensual way the recommendations of the commission for “Wachstum, Strukturwandel und

Beschäftigung" (KWSB) for the reduction und termination of the coal-fired power generation in Germany.

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

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

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

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

LEAG invests in the Leipheim gas turbine power plant project (OCGT)

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

Selected events that occurred after the reporting date

War in Ukraine

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

Based on available information and the most recent developments, the EPPE Group has been analysing the situation on an ongoing basis and assessing its impacts on the whole EPPE Group. From the EPPE Group perspective, the current situation does not pose a significant risk on its operations. This is primarily driven by the fact that the EPPE operations are largely diversified - both by nature of operation and location - and dependence on Russian gas is assumed rather low. In addition, a significant part of EPPE's results relates to provision of much needed balancing services supporting stability of the grid. This is further fuelled by presence in capacity markets in Italy and the UK. Besides these regulated

services, EPPE is an active player in Western European power generation markets and in trading. Also, higher power spreads are largely to the EPPE Group's benefit due to mix of fuel used (predominantly gas which is price setter of power in most markets where the EPPE Group is present, biomass and domestic lignite).

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

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

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

1.2 Business performance

Operational performance

Performance of power generation assets

EPPE Group consolidates 10.2[4] GW of net installed power capacity in Germany, the UK, Ireland, France, and Italy (10.6 GW in 2020). These assets generated 37.3 TWh power (34.7 TWh in 2020). The 7% increase is driven by higher generation in Italy due to high market dynamics in 2021 and an acquisition of Schkopau power plant in Germany on 30 September 2021. On the other hand, decrease of generation in the French market was mainly driven by a disposal of CCGT assets as of 30 September 2020 and by one of the coal sources (Provence 5 with 595MW of installed capacity) which was taken off the grid and started its decommissioning.

KPI	Unit	2021	2020	2021-2020	%
Net installed capacity - Electricity – Total	**MW**				
Germany		938[4]	795	143	18%
France		838	1,432	(594)	(41%)
Ireland		384	384	-	-%
UK		4,014	4,025	(11)	(0%)
Italy		3,989	3,989	0	0%
Total		**10,163**	**10,625**	**(462)**	**(4%)**

KPI	Unit	2021	2020	2021-2020	%
Net power production – Total	**TWh**				
Germany		2.5	1.3	1.2	89%
France		0.8	1.7	(0.9)	(52%)
Ireland		1.9	1.7	0.2	14%
UK		15.2	15.1	0.1	1%
Italy		16.9	14.9	2.0	13%
Total		**37.3**	**34.7**	**2.6**	**7%**

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 8.8 GW of net installed power capacity (8.8 GW in 2020) and generated 46.9 TWh power (43.7 TWh in 2020). Major share of this is represented by the LEAG Group.

Sustainability performance

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.

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

[4] 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken of the merchant market in December 2021 whereas the transmission system operator (Tennet) subsequently required Mehrum to be in a standby mode for at least 2022 for security of supply purposes which is pinpointed by the current situation. On the other hand, the Group has been investing into new low emission sources in Italy, Ireland and the UK (installed capacity of the new power plants under construction is approx. 2.7 GW).

transition plans and ongoing efforts are described below in the section *Emissions and environmental protection activities*.

Emissions and environmental protection activities

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

KPI	Unit	2021	2020	2021-2020	%
Direct GHG Emissions (Scope 1)					
EPPE Group			-		
Germany		3.2	1.6	1.6	99%
France		0.5	0.6	(0.1)	(15%)
Ireland		0.8	0.7	0.1	12%
UK		5.7	5.7	0.0	1%
Italy		7.6	7.4	0.2	3%
Total		**17.8**	**16.0**	**1.8**	**12%**

KPI	Unit	2021	2020	2021-2020	%
Emissions intensity - Including heat component					
EPPE Group					
Germany		1,138	1,004	134	13%
France		643	361	282	78%
Ireland		390	398	(8)	(2%)
UK		379	379	(0)	(0%)
Italy		452	496	(43)	(9%)
Total		**475**	**457**	**18**	**4%**

In 2021, 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 and heat, which has direct impact on the volume of produced emissions.

To ensure conducting its business activities in an environmentally safe and responsible manner and to minimise their impact on the environment the Company has adopted new group-wide Environmental Policy. The Environmental Policy sets basic principles to be followed in terms of the climate change and carbon footprint reduction, protection of biodiversity, environmental management system, environmental impacts of the product portfolio, customer efficiency, regulatory compliance, renewable and clean energy promotion, resource and energy efficiency, waste management and end cycle management. All 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_2), sulphur oxides (SO_x), nitrogen oxides (NO_x), 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 2021, the EPPE Group continued to invest considerable amounts into the restructuring of several plants to enhance their environmental profile as well as to be in line with regulation.

The ISO 14001 (certified Environmental Management System) certificate holders are Biomasse Crotone S.p.A., Biomasse Italia S.p.A., EP Langage Limited, EP SHB Limited, EP Produzione S.p.A. (incl. its subsidiaries), Lynemouth Power Limited, Tynagh Energy Limited, Saale Energie GmbH, EP Power Minerals GmbH and MINERALplus GmbH.

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

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

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

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

The EPPE Group continues to invest into a new, environmentally more friendly development. For example, with 10-year capacity contracts awarded to Kilroot, hard coal and oil power plant in the Northern Ireland, the EPPE Group will be installing a set of two highly efficient OCGT turbines with a combined installed capacity of about 700 MW. Once operational in 2023, the old hard coal and oil power plant shall be decommissioned. Among other important projects of cutting edge and very flexible generation, EPPE Group invests into Tavazzano gas power plant in Italy with a capacity of 800 MW. Further, EPPE Group is about to launch additional market-critical new build gas development projects in Italy and in the Republic of Ireland, together with Kilroot and Tavazzano representing an investment of ca. €1.4 billion and a total installed capacity of 2.7 GW – a tribute to EPPE Group strategy of providing both the flexibility and security of supply, supporting massive deployment of renewable generation. All the above-mentioned projects are built hydrogen-ready and capacity contracts have already been awarded to them.

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

- In 2021, almost 5 MW generation capacity was put into operation at the location of the former Zschornewitz power plant in Saxony-Anhalt, Germany. This project includes compensations in form of tree planting and fauna protection.
- GE Renewable Energy was selected to supply 50 wind turbines, each with 6 MW rated capacity. The wind turbines will be installed in several wind-onshore farms being developed by EPNE in Germany, among them the 100-MW-project Forst-Briesnig II in the Federal State of Brandenburg, owned by LEAG. The approval procedures for the projects will start as early as this year with the first construction to start in 2023.
- During 2021 EPNE worked on Germany's largest solar plant to date, a 400 MW solar plant in recultivated post-mining area of the Jänschwalde open pit mine. Commissioning is planned in

[5] The transmission system operator (Tennet) subsequently required Mehrum to be in a standby mode for at least 2022 for security of supply purposes which is pinpointed by the current market situation.

upcoming years and annual generation corresponds to electricity consumption of about 114,000 households.

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

Gazel Energie Group in France and EP UK Investments Group in the UK further evolved their business with secondary products (ashes). The various potential applications of ashes will have different GHG emission savings associated with them. To further strengthen its position in this area, EPPE acquired STEAG Power Minerals (now EP Power Minerals) in 2021, a European leader in the provision of power plant by-products (especially fly ash and FGD gypsum) and expendable blasting abrasives, helping its clients to reduce carbon footprint. In particular, fly ash serves as a highly ecological and cost-effective substitute for clinker in cement production (up to 30 %). Fly ash significantly reduces the CO2 footprint as the production of 1 metric ton of clinker generates about 0.8 metric tons of CO2.

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

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

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

- Based on previous cooperation, Biomasse Italia offered a new sponsorship to the Municipality of Strongoli to help it to complete the revamping works of Piazza Magna Grecia in Strongoli Marina.
- Biomasse Italia contributed in 2021 also to re-developing and to putting in place safety measures in the Torrent basin that creates significant problems to Strongoli’s population, but also to the company during rainy periods.
- The most important contribution of the Company continues to be the royalties paid every year to the local municipality, based on the quantity of produced electricity.

ESG policies

As mentioned before, in 2021, after finalization of the thorough analysis within the EPPE 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 a full transparency EPPE published the policies on its web, so these are easily accessible to all stakeholders.

Health, Safety and Environmental Committee ("HSE Committee")

EPH has a dedicated HSE Committee in place (serves also for the EPPE Group) which is tasked with the following activities:

a. Provide the Board of Directors with a view on the adequacy and effectiveness of the EPPE 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 EPPE 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 Committee represents a key body 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 EPPE Group maintains good and fair relations with the trade unions within the entities of EPPE 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 EPPE 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 EPPE 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 the EPPE 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 EPPE Group´s activities by introducing measures focused on risk assessment, elimination, mitigation, and prevention. The EPPE Group also provides general training programs on employee safety and when selecting or assessing potential suppliers, the EPPE 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 2021 was 4,077 (4,154 in 2020), of which 62 were executives (70 in 2020).

KPI	Unit	2021	2020	2021-2020	%
Headcount	**#FTE**				
Czech Republic		124	108	16	15%
France		413	517	(104)	(20%)
Ireland		9	11	(2)	(18%)
Germany		2,403	2,389	14	1%
UK		528	539	(11)	(2%)
Switzerland		19	9	10	111%
Italy		581	581	0	0%
Total		**4,077**	**4,154**	**(77)**	**(2%)**

KPI	Unit	2021	2020	2021-2020	%
Headcount	**#FTE**				
Executives		62	70	(8)	(11%)
Other Employees		4,015	4,084	(69)	(2%)
Total		**4,077**	**4,154**	**(77)**	**(2%)**

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 EPPE Group. 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 EPPE 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 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 EPPE 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 EPPE Group is working on the implementation of an EPPE 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 for 2021. Results reflect positive market development on the revenue side as well as cautious approach towards expenses and risks.

Revenues

External Revenues reached EUR 16,443 million (EUR 5,378 million in 2020). The increase is attributable to both EPPE´s segments. Generation and Mining segment increased by EUR 10,887 million, or 226%, mostly driven by significant increase in commodity prices and as a result, the most significant effect was recorded by production entities in Italy, France and the UK and also by EPPE Group trading companies especially EP Commodities. Renewable Energy segment increased by EUR 116 million, or 21%, primarily due to indexation of Contract for Difference and better availability of Lynemouth biomass power plant operations and higher power prices of Italian biomass assets.

External Revenues	Unit	2021	2020	2021-2020	%
	million EUR				
EPPE Group					
Generation and Mining		15,714	4,827	10,887	226%
Renewable Energy		666	550	116	21%
Holding and Other		63	1	62	6,200%
Total		**16,443**	**5,378**	**11,065**	**206%**

Underlying EBITDA

Underlying EBITDA reached EUR 962 million (EUR 525 million in 2020). Generation and Mining segment increased by EUR 363 million, or 88%, mainly due to improvement of most of the assets driven by higher market spreads across Europe and system tightness. Primarily, the increase is driven by Italian assets (EP Produzione, Fiume Santo), UK assets (mainly EP Langage and EP Kilroot), German assets (Mehrum) and French assets. Renewable Energy segment increased by EUR 69 million, or 57%, which relates mostly to Italian fleet of renewable power plants due to higher market spreads.

Underlying EBITDA	Unit	2021	2020	2021-2020	%
	million EUR				
EPPE Group					
Generation and Mining		773	410	363	88%
Renewable Energy		191	122	69	57%
Holding and Other		(2)	(7)	5	(57)%
Total		**962**	**525**	**437**	**83%**

CAPEX

CAPEX of EPPE Group reached EUR 286 million (EUR 156 million in 2020). The 77% increase in CAPEX is mainly driven by an increase in Generation and Mining segment where major part represents investments in new development projects, namely Kilroot OCGT in Northern Ireland and Tavazzano CCGT in Italy. This is partly offset by not repeated large overhauls of power plants in Italy and the UK from 2020.

CAPEX	Unit	2021	2020	2021-2020	%
EPPE Group					
Generation and Mining	million EUR	271	150	121	81%
thereof new development		*155*	-	*155*	*n/a*
Renewable Energy		7	6	1	17%
EPPE Other		8	-	8	-%
Total		**286**	**156**	**130**	**83%**

Net financial debt, Leverage and Cash conversion

The EPPE Group's financial health is strong due to its conservative funding strategy and low leverage. Net financial debt stood at EUR 237 million at the end of 2021 (EUR 451 million in 2020). Excluding debt of EUR 1,454 million (EUR 405 million in 2020) provided by the parent company of EPPE, the net financial debt stood at EUR (1,217) million (EUR 46 million in 2020). Overall decrease of external funding by EUR 90 million, or 15%, was enabled by improved EPPE Group's operational performance illustrated by 83% increase of EBITDA, partly offset by higher liquidity requirements due to turbulent market situation at the end of 2021.

Net leverage (excluding debts to parent company) improved to (1.3)x in 2021 as compared to <0.1x in 2020, which is driven by improved EPPE Group's operational performance. The total Net leverage (including debt to parent company) decreased to 0.2x (from 0.9x in 2020).

Net financial debt and Leverage	Unit	2021	2020	2021-2020	%
Loans and borrowings	million EUR	1,978	1,019	959	94%
out of which: loans and borrowings provided by EPH		*1,454*	*405*	*1,049*	*259%*
Less Cash and cash equivalents		1,741	568	1,173	207%
Net financial debt		**237**	**451**	**(214)**	**(47)%**
Net financial debt (excl. loans and borrowings provided by EPH)		**(1,217)**	**46**	**(1,263)**	**(2,746)%**
Underlying EBITDA		962	525	**437**	**83%**
Net leverage	**x**	**0.2x**	**0.9x**	**(0.6)x**	**(71)%**
Net leverage (excl. loans and borrowings provided by EPH)	**x**	**(1.3)x**	**<0.1x**	**(1.4)x**	**(1,545)%**

Cash conversion was 56% (64% in 2020). Decrease of the cash conversion in 2021 was primarily caused by higher development capital expenditures, supplemented by higher payment of taxes during 2021, partly offset by significantly improved performance in 2021. The high ratio of Underlying EBITDA conversion to cash flows further reinforces very good positioning of EPPE Group in terms of leverage within the industry peer group.

Cash conversion	Unit	2021	2020	2021-2020	%
Underlying EBITDA	million EUR	962	525	437	83%
CAPEX		(286)	(156)	(130)	83%
Tax paid		(138)	(33)	(105)	318%
Cash conversion	**%**	**56%**	**64%**	**(8)%**	**-**

1.3 Other Information

Description of the diversity policy applied to the statutory body, supervisory body or other similar body

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

Rights and obligations associated with shares

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

Branches

The EPPE Group has no organizational units abroad.

Research and development activities

In 2021, 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 2021, EPPE Group did not acquire any own shares or ownership interests within the EPPE Group.

Risks and risk management policies

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

Sustainability report

In August 2021, EPH issued its third Sustainability report covering year 2020 where EPPE Group has been included. EPH plans to issue its Sustainability report for 2021 during Q2 2022, EPPE Group will be included. The Sustainability report covers a wide spectrum of economic, environmental, social and governance related topics and 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, which has direct impact on EPPE Group.

Outlook for 2022

Even though this Annual Report is issued at difficult times in the light of the current war in Ukraine and continued coronavirus pandemic where both events have been posing great challenges for many aspects of our society including business matters of the EPPE Group, the Group management plans to continue developing its central business activities in the EPPE Group. The main objectives remain the same: guaranteeing the health, safety and well-being of the EPPE Group´s 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.

EPPE Group believes its medium- to long-term market position stays resilient, primarily as i) the EPPE Group operates the critical infrastructure in power generation, and ii) part of operated assets are regulated or semi-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 underpins EPPE Group's financial stability.

1.4 Market development

Macroeconomic developments

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

According to the April 2022 IMF estimates, 2021 had a 6.1 % real GDP increase, a number that must be put in context with the profound decline of activity in 2020 and a return to a relative normality that bounces GDP at levels close to pre-pandemic times, displaying high growth values relative to 2020. Therefore, countries with a steep GDP decline in 2020 will generally show a strong recovery in 2021; this could be the case of the United Kingdom, with a sharp GDP decline of 9.4% in 2020 that rebounds to a 7.2% increase in 2021.

However, global growth is expected to moderate to 3.6 % in 2022, a revision of minus 0.8 percentage points relative to the previous January IMF projection. This change is significantly motivated by the war in Ukraine, which will contribute to further supply disruptions and inflation, among others, hurting low-income countries the most.

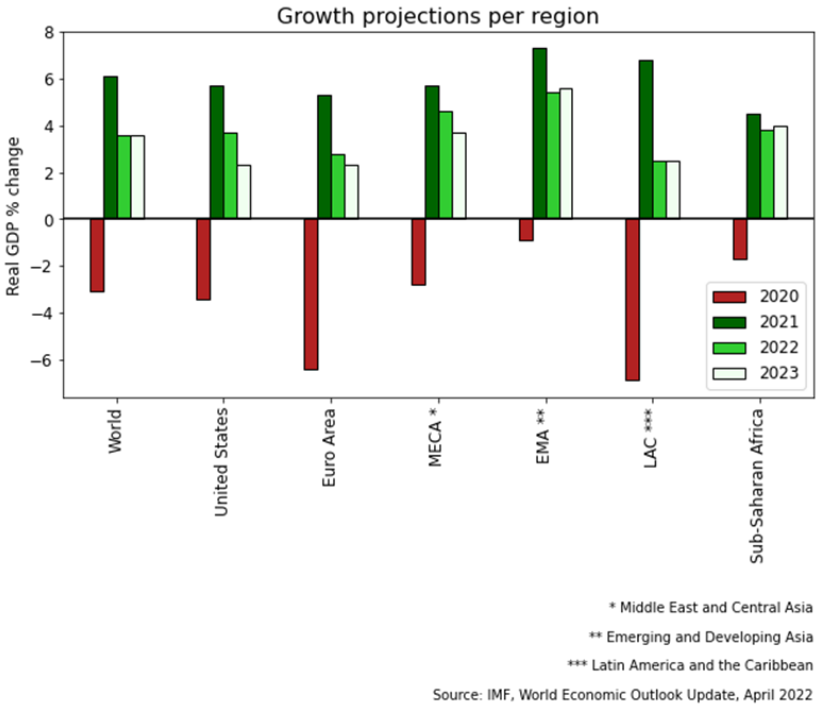


Figure 1: IMF world economic outlook from January 2022

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

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

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

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

The 2022 economic outlook seems even more uncertain after factoring the early-year geopolitical events, with the Russian invasion of Ukraine. Global supply chains will only face further challenges, with energy prices escalating to record levels, and will contribute to increased inflation. According to IMF April projections, 2022 inflation will escalate to 5.7 % in advanced economies and 8.7 % in emerging markets and developing economies, adding 1.8 and 2.8 percentage points higher than January projections, respectively. This creates further pressure on central banks since a rise in interest rates may act as a strong hit in financial markets and perhaps will not be enough to reduce the growing inflation rates.

Energy market developments

Power consumption

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

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

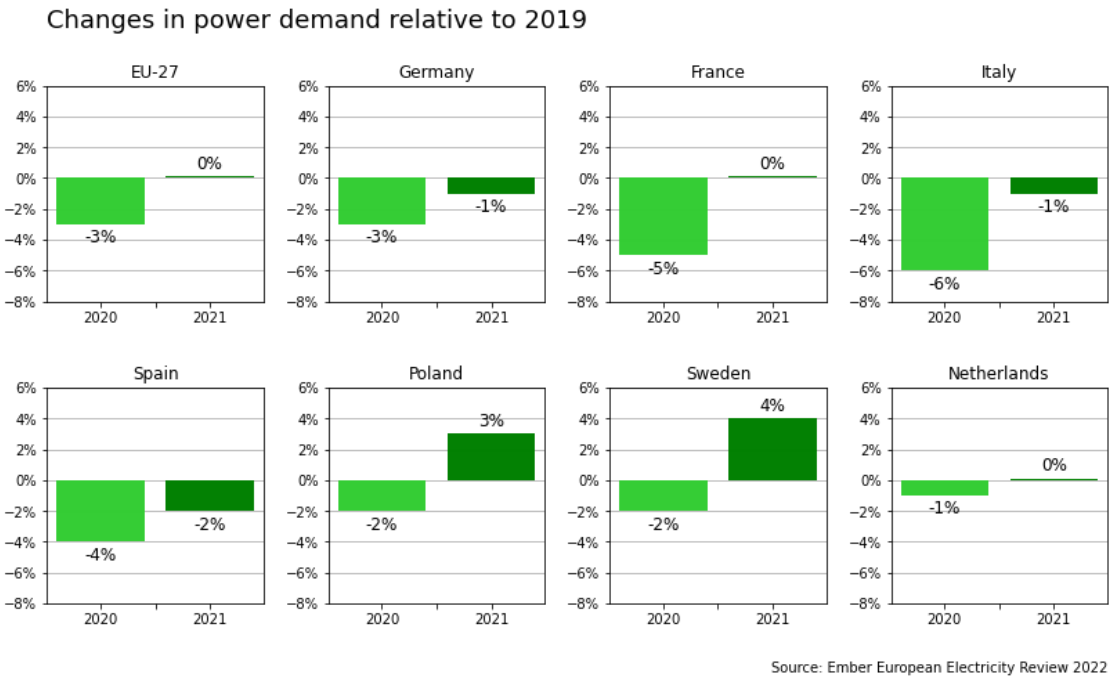


Figure 2: European electricity demand changes, Ember European Electricity Review 2022

<u>Power production</u>

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

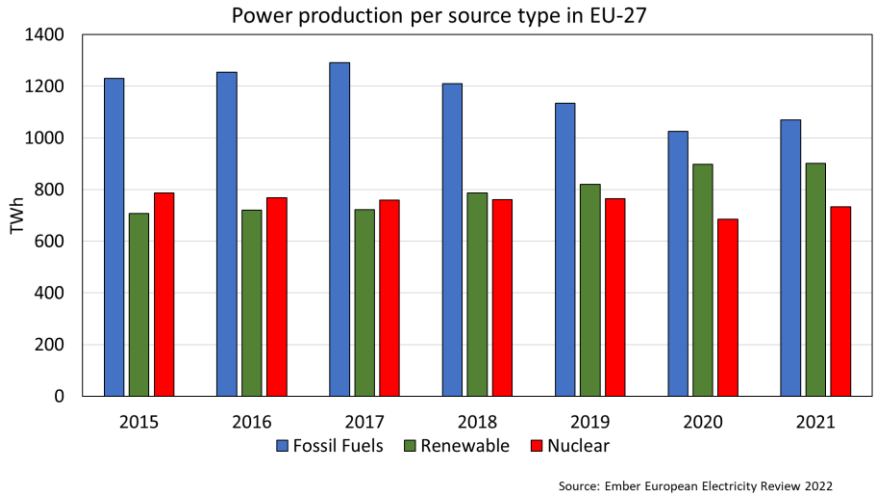


Figure 3: EU power production per source type, Ember European Electricity Review 2022

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

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

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

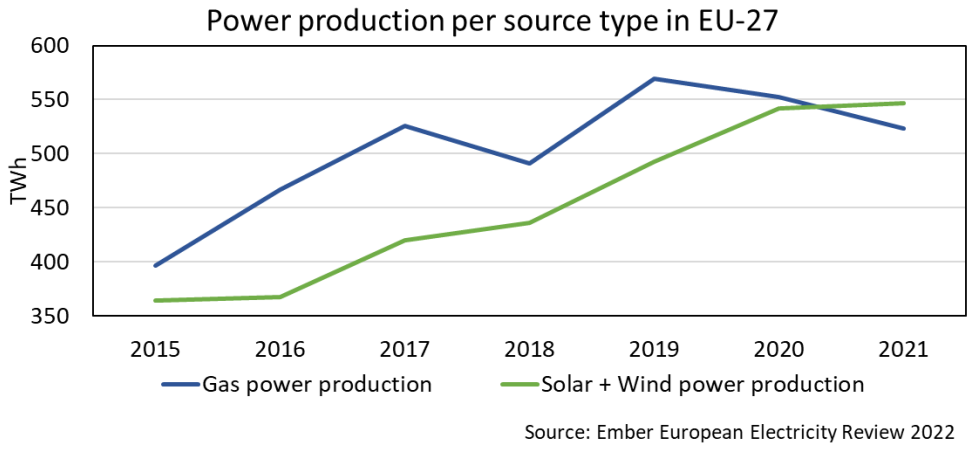


Figure 4: Gas, solar and wind power production in EU, Ember European Electricity Review 2022

Power prices

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

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

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

Gas consumption

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

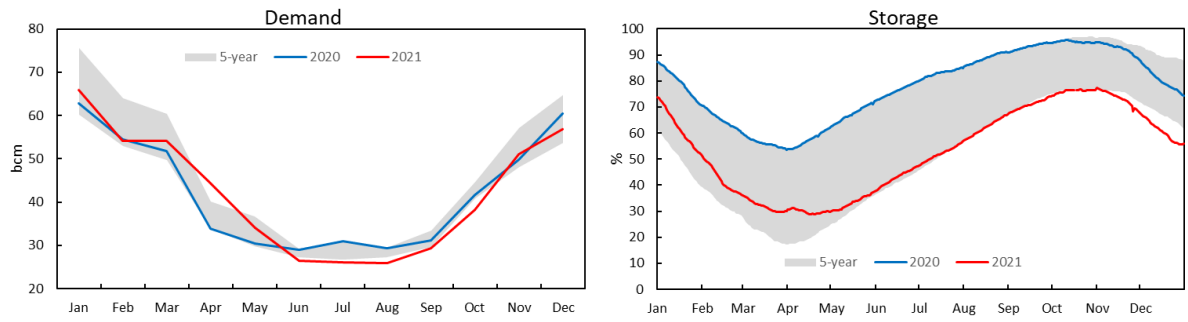


Figure 5: European gas consumption (left) and storage levels (right).

Gas supply

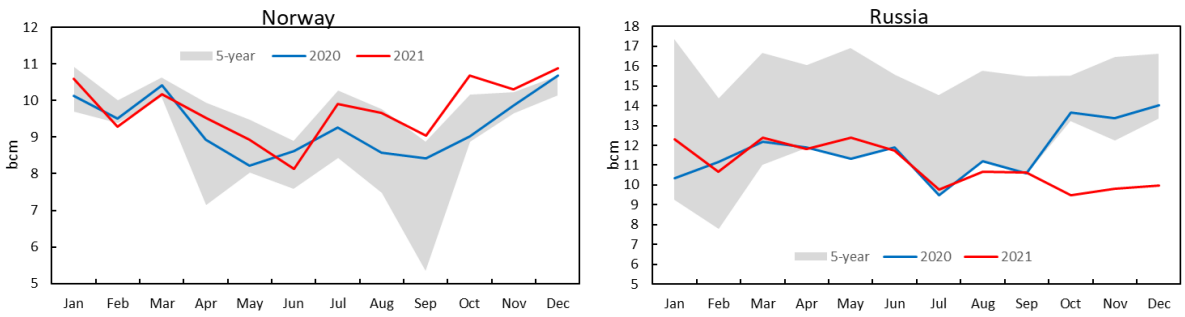
Norwegian imports increased by 5% year-on-year in 2021. Heavy annual maintenance schedule coupled with unplanned outages restricted the deliveries until July. Flows rebounded to historical maximum afterwards and remained there ever since, supported strongly by rallying gas prices.

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

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

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

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



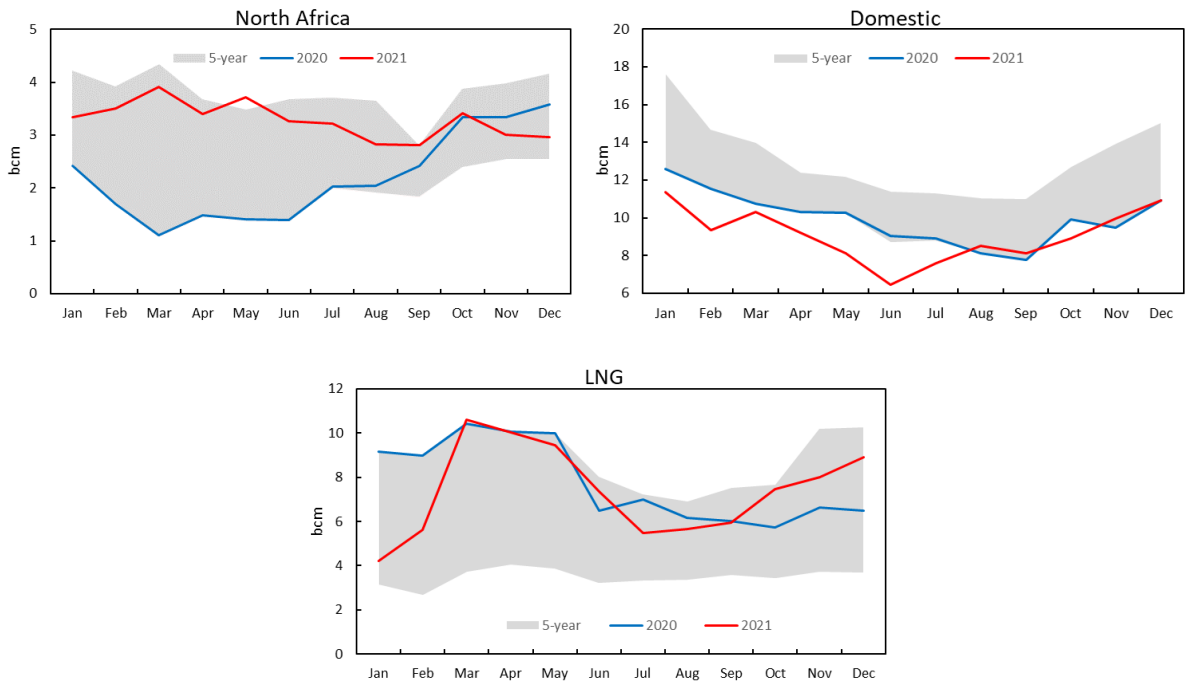


Figure 6: European gas supply routes.

Gas storage

European gas storage inventories were significantly depleted in February due to high demand during a cold snap which was not covered by underperforming pipeline deliveries and very weak LNG imports. With the end of gas winter, storages have turned to net injection mode for a short period. However, despite increasing numbers of LNG cargoes, tight gas balance due to return of cold weather prompted an unprecedentedly prolonged withdrawal season which lasted until mid-April, leaving the storages filled only to 29% of total capacity, the lowest since 2018. Stressed supply-demand conditions continued to hamper refilling of storages, with the injections in May proceeding at slowest pace in 10 years. Although improving afterwards, the balance remained tight for much of the year, illustrated, for example, by brief net withdrawals in UK during summer amid shortage of LNG driving the spot prices above winter contracts. Mild weather and favourable spreads between spot and winter months have supported injections also throughout October, helping to restock storages to 78% of their capacity before the start of the withdrawal season, the lowest level in 8 years. Inventories finished the year at only 53%, drawing a bleak picture for Q1'22 on fears of insufficient gas supply, although some relief came at the turn of the year with exceptionally warm weather supporting net injections.

LNG

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

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

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

Gas prices

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

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

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

After a period of relatively sideways price development, markets spiked once again to all-time highs on December 21 with TTF front month reaching 180 EUR/MWh when Europe faced its first winter cold spell while Yamal flows via Mallnow to Germany completely halted at the same time. Another bullish factor were the fears of impeding military conflict due to mounting tensions in the Russia-Ukraine relationships, possibly affecting security of supply via one of the main pipeline routes. Prices moderated since then but remained highly volatile, the bearish force arising from calmer Christmas season and significantly warmer temperatures at the end of the year.

All in all, TTF spot reached a record annual average of 45.9 EUR/MWh in 2021, almost five times more year on year. Prices exhibited also all-time highest volatility which averaged over 85% in TTF month-ahead during the whole year, more than the double the ten-year average. The volatility was exceptionally pronounced in the second half of the year, reaching almost 200% in December. Asian prices followed a

similar pattern, displaying strong correlation of 0.93 with European prices for the second-month prices. Historically, TTF and JKM benchmarks followed a similar trend, but plentiful pipeline supply and healthy storage levels prevented TTF from spiking as much as JKM. However, the reluctance of pipeline suppliers to deliver more gas in 2021 caused the European marginal gas price to be set by the global LNG arbitrage, driving the prices higher in a tight competition between Europe and Asia. In the United States, Henry Hub prices averaged over 11 EUR/MWh, the highest since 2014 and double from 2020, due to consumption and export flows growing faster than domestic production. Although increasing, US prices followed a calmer pattern than TTF and JKM thanks to lower price environment with limited exposure to imports.

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

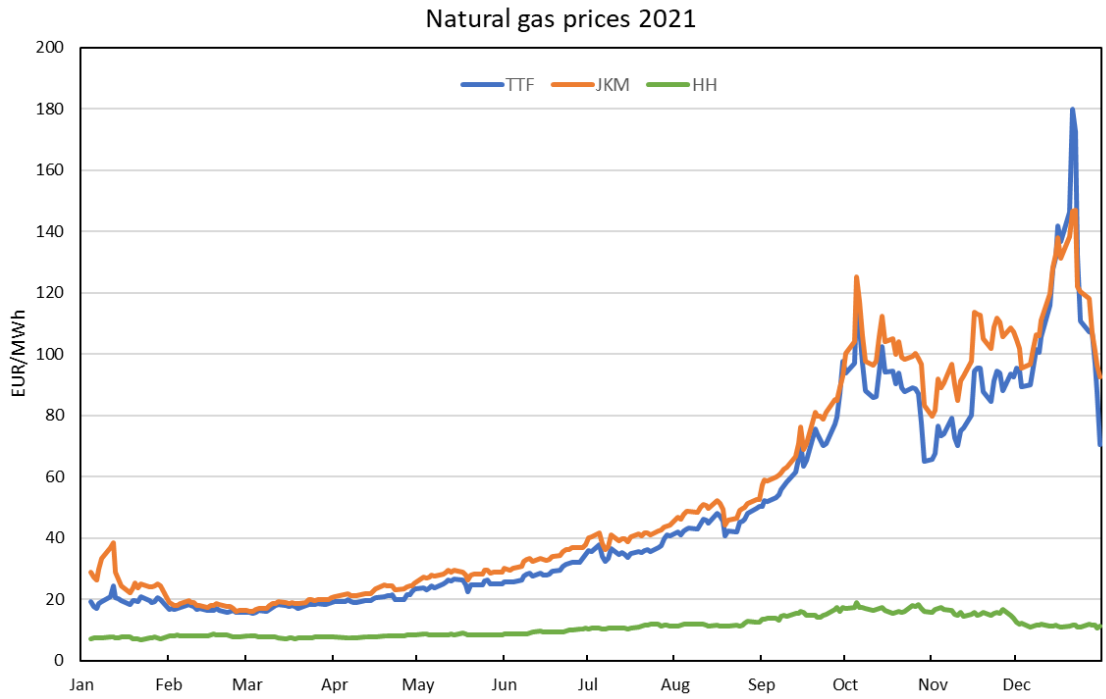


Figure 7: Two-month-ahead prices of global gas benchmarks.

Nord Stream 2

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

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

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

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

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

Oil

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

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

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

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

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

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

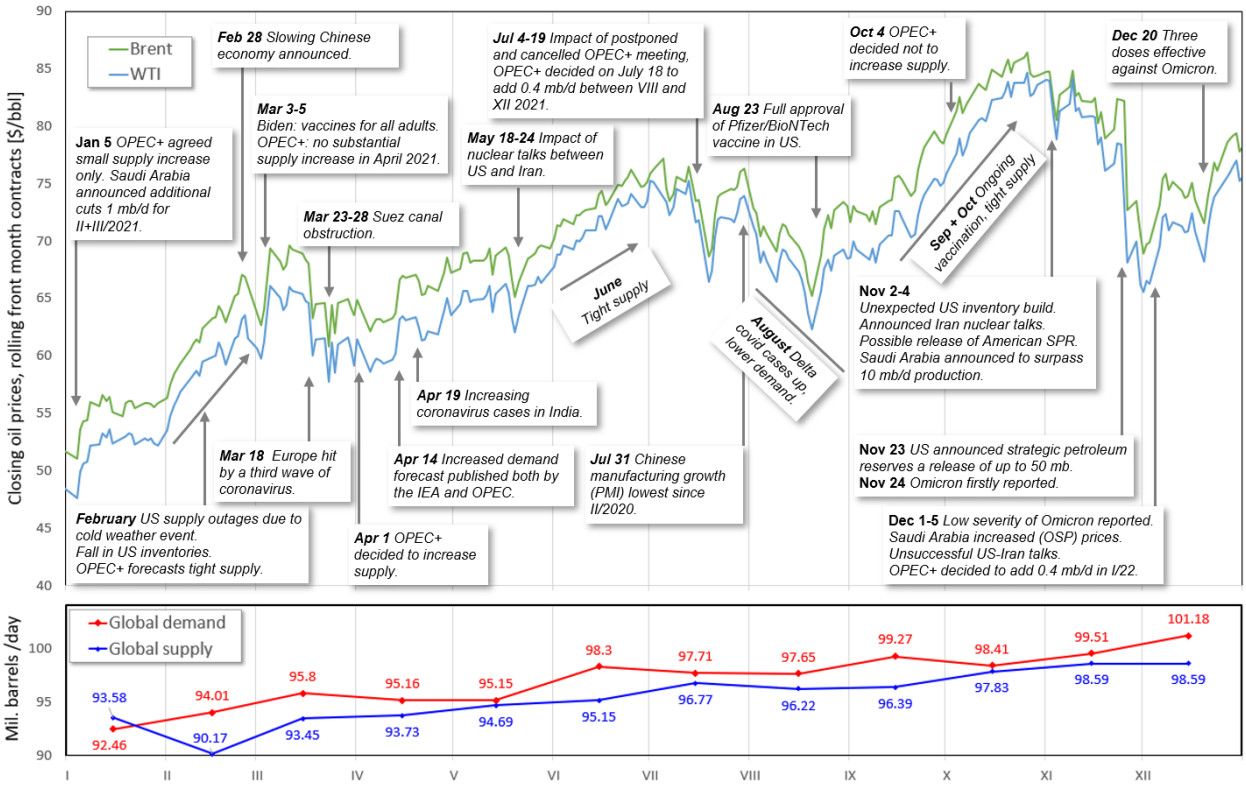


Figure 8: Year 2021, front month closing oil prices, OPEC decisions, milestones, monthly average of global oil supply and demand (source: Reuters, OPEC, EIA, EP Commodities)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Coal</u>

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

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

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

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

Coal production failed to keep pace with rebounding coal demand in 2021, especially during the first half of the year, cutting into stock levels and pushing up prices. In China and India, where coal shortages led to power outages and idled factories, domestic policies to ramp up production and reduce coal

shortages were soon implemented, facilitated by the large presence of state-owned companies in production. The main coal exporting countries were prevented from fully taking advantage of high prices by supply chain disruptions, such as flooding in Indonesian mines.

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

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

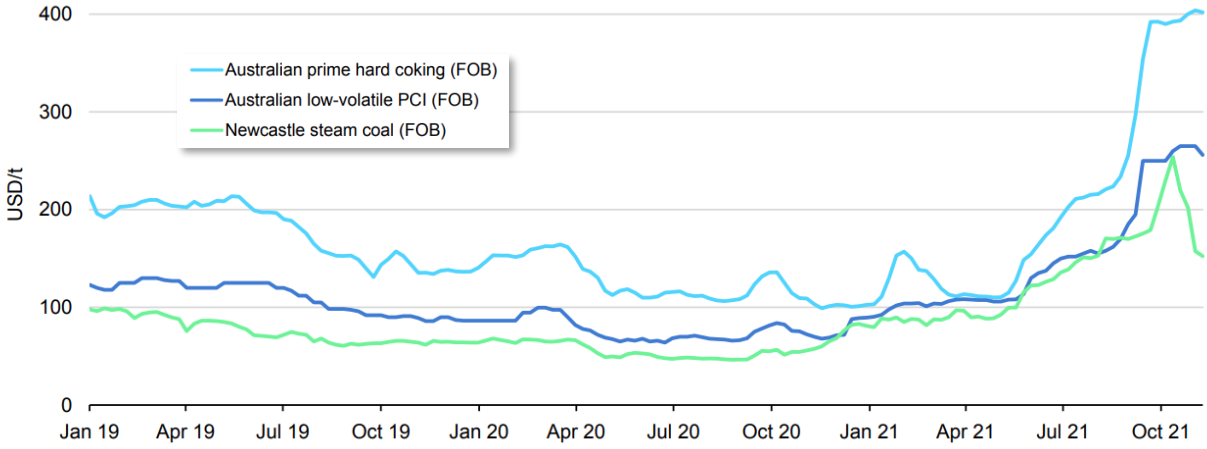


Figure 9: Marker prices for different types of coal, 2019-2021

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

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

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

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

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

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

In 2021, Indonesia's coal production is expected to expand 2.2% to 576 Mt, even though coal mining companies have had difficulty ramping up production due to the low availability of heavy-duty equipment. Furthermore, heavy rains and flooding, particularly in the third quarter of 2021, curbed coal production and some exporters were forced to declare force majeure.
After the US coal production faced a drastic drop of 24% in 2020 to 485 Mt, the coal production in 2021 is expected to increase 9% to 528 Mt stimulated by a rebound in domestic consumption as well as overseas exports. Russian coal production is estimated at 429 Mt in 2021, +7.7% year-on-year.

Region/country	2019	2020	2021	2024	2019-2020	2020-2021	CAAGR 2021-2024
Asia Pacific	**5 760**	**5 729**	**5 939**	**6 182**	**-0.5%**	**3.7%**	**1.3%**
China	3 724	3 764	3 925	3 982	1.1%	4.3%	0.5%
India	756	764	793	955	1.0%	3.7%	6.4%
Australia	507	468	470	477	-7.7%	0.3%	0.5%
Indonesia	601	564	576	570	-6.1%	2.2%	-0.4%
North America	**706**	**540**	**584**	**536**	**-23.5%**	**8.2%**	**-2.8%**
United States	641	485	528	484	-24.4%	8.9%	-2.9%
Central and South America	**92**	**56**	**73**	**68**	**-39.4%**	**31.5%**	**-2.5%**
Europe	**531**	**446**	**475**	**378**	**-15.9%**	**6.4%**	**-7.3%**
European Union	374	301	329	247	-19.3%	9.2%	-9.1%
Middle East	**2**	**2**	**2**	**2**	**-0.2%**	**3.7%**	**0.0%**
Eurasia	**578**	**526**	**556**	**580**	**-9.0%**	**5.8%**	**1.4%**
Russia	439	398	429	445	-9.4%	7.7%	1.2%
Africa	**276**	**262**	**260**	**269**	**-5.2%**	**-0.5%**	**1.1%**
World	**7 944**	**7 560**	**7 889**	**8 014**	**-4.8%**	**4.3%**	**0.5%**

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

Figure 9: Total coal production in Mt, (source IEA)

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

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

<u>EUA</u>

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

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

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

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

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

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

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

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

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

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

Global Events

<u>Russia-Ukraine relations</u>

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

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

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

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

Taliban in Afghanistan

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

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

The effect of this event on the energy markets is uncertain. On the one hand, the direct impact of the resurgent Taliban ruling in Afghanistan is negligible, with the country possessing estimated recoverable

oil of 1.8 billion barrels and very low petroleum production. However, the political situation may further destabilize an already volatile region that is the centre of world oil production, which can translate into greater volatility on the markets.

Suez Canal obstruction

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

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

Covid-19 pandemic

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

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

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

2. 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 2021, which is prepared in accordance with the Czech accounting legislation.

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

The Consolidated Financial Statements of the 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 2021. In addition, the EPPE Group´s review of operations includes a fair review of the development and performance of the business and the position of the EPPE Group, together with a description of the principal opportunities and risks associated with the expected development of the EPPE Group.

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

Prague, 4 May 2022

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

.....

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

3. 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 Act No. 90/2012 Coll., as amended)

(the "**Report**")

I.
Preamble

The Report has been prepared pursuant to Section 82 (1) Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended ("**BCCA**").

The Report has been submitted for review to the Company's Supervisory Board in accordance with Section 83 (1) of the BCCA 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 2021 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.

DIRECTLY 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

INDIRECTLY CONTROLLING ENTITY

EP Investment S.à.r.l.

Registered office: 2, Place de Paris, L – 2314 Luxembourg, Luxembourg
Reg. No.: B 184488

OTHER CONTROLLED ENTITIES

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

III.
Role of the Controlled Entity, Method and Means of Control

Role of the controlled entity

- strategic management of the development of a group of directly or indirectly controlled entities
- providing financing and developing financing systems for group entities
- optimising the services utilised 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 and Cooperatives in 2021

In 2021, 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 2021, the following loan agreements concluded with companies within Energetický a průmyslový holding, a.s. Group were in place:

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

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

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

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

In 2021, the following loan agreements concluded with companies within EP Power Europe, a.s. Group were in place:

On 24 June 2016, 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 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 13 February 2017, 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 30 November 2018, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

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.

On 22 March 2021, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 16 June 2021, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 8 September 2021, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP CTA GmbH as the debtor.

On 15 September 2021, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

V.1.2.
In 2021, the following agreements on the provision of an additional equity contribution were concluded with companies within EP Power Europe, a.s. Group:

On 22 February 2021, an agreement on the provision of an additional equity contribution was signed by EP Power Europe, a.s., as the shareholder and EPPE Germany, a.s.

On 5 March 2021, an agreement on the provision of an additional equity contribution was signed by EP Power Europe, a.s., as the shareholder, and EP Ukraine B.V.

On 21 May 2021, an agreement on the provision of an additional equity contribution was signed by EP Power Europe, a.s., as the shareholder, and EPPE Germany, a.s.

On 31 May 2021, an agreement on the provision of an additional equity contribution was signed by Energetický a průmyslový holding, a.s., as the shareholder and EP Power Europe, a.s.

On 23 August 2021, an agreement on the provision of an additional equity contribution was signed by EP Power Europe, a.s. as the shareholder and EPPE Germany, a.s.

On 30 July 2021, an agreement on the provision of an additional equity contribution was signed by EP Power Europe, a.s., as the shareholder and EP Ukraine B.V.

V.1.3.

In 2021, the following agreements on offsetting receivables and payables were concluded with companies within Energetický a průmyslový holding, a.s. Group:

On 8 March 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

On 21 July 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

On 31 December 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

In 2021, the following agreements on offsetting receivables and payables were concluded with companies within EP Power Europe, a.s. Group:

On 5 June 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EP Ukraine B.V.

On 30 July 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EP Produzione S.p.A.

On 30 July 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EP Hungary s.r.o.

On 29 December 2021, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and EP Produzione S.p.A.

V.1.4.

Other contracts concluded with companies within Energetický a průmyslový holding, a.s. in 2021:

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 8 January 2021, a share transfer agreement was concluded between EP Power Europe, a.s., as the buyer and Energetický a průmyslový holding, a.s. as the seller.

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

Other contracts valid in 2021 with companies within EP Power Europe, a.s. Group:

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 15 October 2018, an agreement on the provision of guarantees was signed between EP Power Europe, a.s. as the guarantor and Mitteldeutsche Braunkohlengesellschaft mbH.

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

On 1 August 2021, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Power Minerals GmbH.

V.1.5.
In 2021, the following operating agreements concluded with companies within Energetický a průmyslový holding, a.s. Group 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 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 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 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 Fleet, k.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 interested party and EP Real Estate, a.s. (formerly 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 EP Real Estate, a.s. (formerly PT Real Estate, a.s.) as the interested party.

An agreement on a vehicle lease concluded on 1 March 2021 between EP Power Europe, a.s. as the lessee and EP Investment Advisors, s.r.o. as the lessor.

In 2021, the following operating agreements concluded with companies within EP Power Europe, a.s. were in place

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

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

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

An agreement on providing professional assistance concluded 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 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 between EP Power Europe, a.s. as the provider, and EP Resources CZ, a.s. (formerly EP Coal Trading, a.s.) as the interested party.

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

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

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

A consulting services contract concluded between EP Power Europe a.s. as the provider and EP New Energy Italia S.r.l. as the interested party.

A consulting services contract concluded between EP Power Europe a.s. as the provider and EP Produzione S.p.A. as the interested party.

A consulting services contract concluded between EP Power Europe a.s. as the provider and Lausitz Energie Bergbau AG as the interested party.

A consulting services contract concluded between EP Power Europe a.s. as the provider and Biomasse Italia S.p.A. as the interested party.

A consulting services contract concluded between EP Power Europe a.s. as the provider and Biomasse Crotone S.p.A. as the interested party.

A consulting services contract concluded between EP Power Europe a.s. as the provider and Fusine Energie S.r.l. as the interested party.

A service-level agreement on consulting services concluded between EP Power Europe a.s. as the interested party and EP Resources AG as the provider.

In 2021, the following operating agreements concluded with companies within EP Infrastructure, a.s. Group were in place

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

In 2021, the following operating agreements concluded with companies within EP Corporate Group, a.s. Group were in place

An agreement on share purchase concluded on 29 April 2021 between EP Power Europe, a.s. as the seller and EP Corporate Group, a.s. as the buyer.

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 2021 are disclosed in the respective note to the financial statements of the controlled entity for the year ended 31 December 2021.

VIII.

We hereby confirm that in this report on relations between related parties of EP Power Europe, a.s. prepared pursuant to the provision of Section 82(1) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended, for the reporting period from 1 January 2021 to 31 December 2021, we have included all information known as of the date of signing this report regarding the following:

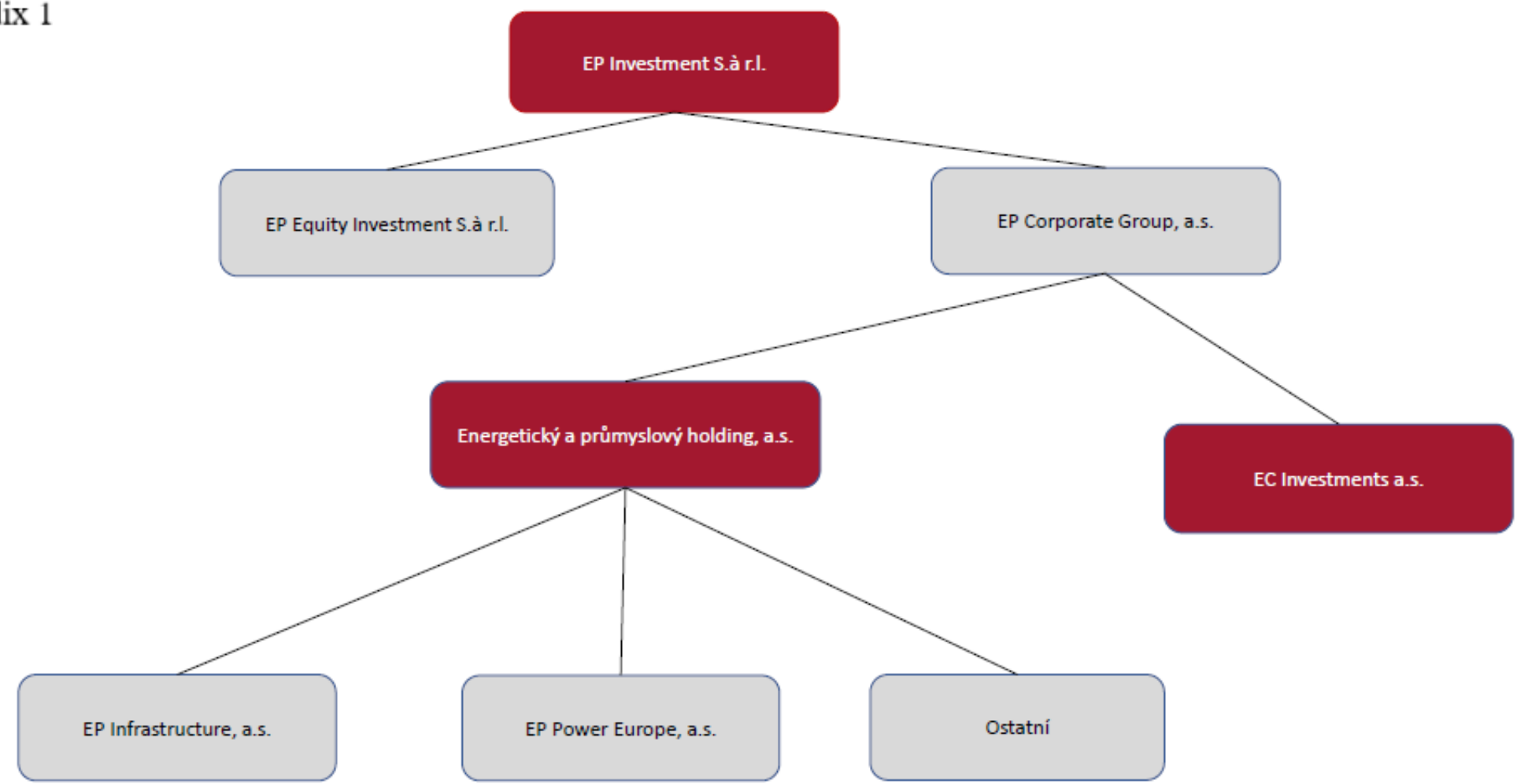
- agreements between related entities
- supplies and considerations provided to related entities
- other juridical acts made in the interest of these entities
- all measures adopted or effected in the interest or at the initiative of these entities

All transactions between EP Power Europe, a.s. and the controlling entity or entities controlled by the same entity were concluded at arm's length conditions. 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 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, 31 March 2022

.....	.....
Marek Spurný	Pavel Horský
Vice-Chairman of the Board of Directors	Vice-Chairman of the Board of Directors

Appendix 1


EP Investment S.à r.l.
EP Equity Investment S.à r.l.
EP Corporate Group, a.s.
Energetický a průmyslový holding, a.s.
EC Investments a.s.
EP Infrastructure, a.s.
EP Power Europe, a.s.
Ostatní

4. CONSOLIDATED AUDIT REPORT

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Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholder 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 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other Information in the Consolidated Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 4 May 2022

Audit firm:

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

Statutory auditor:

Ladislav Šauer
registration no. 2261

5. CONSOLIDATED FINANCIAL STATEMENTS

EP Power Europe, a.s.

Consolidated Financial Statements
as of and for the year ended 31 December 2021

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

Content

Consolidated statement of comprehensive income

For the year ended 31 December 2021

In millions of EUR ("MEUR")	Note	2021	2020 restated[(1)]
Revenues	6	17,129	5,313
Gain (loss) from commodity derivatives for trading with electricity and gas, net		(686)	65
Total sales		**16,443**	**5,378**
Purchases and consumables	7	**(14,088)**	**(3,781)**
Subtotal		**2,355**	**1,597**
Personnel expenses	8	(319)	(366)
Depreciation and amortisation	15, 16	(289)	(308)
Repairs and maintenance		(74)	(61)
Emission rights, net	9	(709)	(329)
Negative goodwill	5	-	9
Taxes and charges	10	(108)	(118)
Other operating income	11	130	82
Other operating expenses	12	(317)	(282)
Own work capitalized		4	3
Profit (loss) from operations		**673**	**227**
Finance income	13	17	19
Finance expense	13	(55)	(59)
Profit (loss) from financial instruments	13	(9)	14
Net finance income (expense)		**(47)**	**(26)**
Share of profit (loss) of equity accounted investees, net of tax	18	(61)	67
Gain (loss) on disposal of subsidiaries	5	-	36
Profit (loss) before income tax		**565**	**304**
Income tax expenses	14	(42)	(54)
Profit (loss) for the year		**523**	**250**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations	14	(84)	33
Effective portion of changes in fair value of cash-flow hedges	14	23	(43)
Items that are not reclassified subsequently to profit or loss:			
Foreign currency translation differences from presentation currency	14	103	(45)
Fair value reserve included in other comprehensive income	14	75	(19)
Fair value reserve included in other comprehensive income (revaluation of property, plant and equipment)	15	3	-
Other comprehensive income for the year, net of tax		**120**	**(74)**
Total comprehensive income for the year		**643**	**176**
Profit (loss) attributable to:			
Owners of the Company		505	244
Non-controlling interest	26	18	6
Profit (loss) for the year		**523**	**250**
Total comprehensive income attributable to:			
Owners of the Company		625	170
Non-controlling interest	26	18	6
Total comprehensive income for the year		**643**	**176**
Total basic and diluted earnings per share in EUR	25	**4,293**	**2,074**

(1) Restated 2020 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 2021
In millions of EUR ("MEUR")

	Note	2021	2020 restated[(1)]
Assets			
Property, plant and equipment	15	1,924	1,897
Intangible assets	16	158	165
Goodwill	16	55	41
Investment property	17	19	-
Equity accounted investees	18	950	805
Financial instruments and other financial assets	30	600	521
of which loans to shareholders		*255*	*429*
Trade receivables and other assets	21	82	67
Deferred tax assets	19	138	60
Total non-current assets		**3,926**	**3,556**
Inventories	20	616	373
Extracted minerals and mineral products		7	6
Trade receivables and other assets	21	3,489	1,026
Financial instruments and other financial assets	30	4,563	583
of which loans to shareholders		*362*	*181*
Prepayments and other deferrals		50	33
Current income tax receivable	14	17	9
Restricted cash	23	22	31
Cash and cash equivalents	22	1,741	568
Total current assets		**10,505**	**2,629**
Total assets		**14,431**	**6,185**
Equity			
Share capital	24	905	905
Other reserves	24	(338)	(519)
Retained earnings		1,556	1,148
Total equity attributable to equity holders		**2,123**	**1,534**
Non-controlling interest	26	77	69
Total equity		**2,200**	**1,603**
Liabilities			
Loans and borrowings	27	261	247
of which owed to shareholders		*179*	-
Financial instruments and financial liabilities	30	536	58
Provisions	28	1,278	1,317
Deferred income	29	3	3
Deferred tax liabilities	19	60	61
Trade payables and other liabilities	31	11	73
Total non-current liabilities		**2,149**	**1,759**
Trade payables and other liabilities	31	1,997	1,016
Loans and borrowings	27	1,717	772
of which owed to shareholders		*1,275*	*405*
Financial instruments and financial liabilities	30	5,002	469
Provisions	28	1,321	464
Deferred income	29	10	70
Current income tax liability	14	35	32
Total current liabilities		**10,082**	**2,823**
Total liabilities		**12,231**	**4,582**
Total equity and liabilities		**14,431**	**6,185**

(1) Restated 2020 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 2021

	Attributable to owners of the Company												
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Revaluation reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance as at 1 January 2021 (A) **(restated)[1]**	**905**	**-**	**115**	**12**	**(15)**	**(55)**	**-**	**(848)**	**272**	**1,148**	**1,534**	**69**	**1,603**
Total comprehensive income for the year:													
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**505**	**505**	**18**	**523**
Other comprehensive income:													
Foreign currency translation differences for foreign operations	-	-	-	-	(80)	-	-	-	-	-	(80)	(4)	**(84)**
Foreign currency translation differences from presentation currency	-	-	-	-	99	-	-	-	-	-	99	4	**103**
Fair value reserve included in other comprehensive income, net of tax	-	-	-	-	-	75	-	-	-	-	75	-	**75**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	-	23	-	23	-	**23**
Revaluation reserve included in other comprehensive income	-	-	-	-	-	-	3	-	-	-	3	-	**3**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**19**	**75**	**3**	**-**	**23**	**-**	**120**	**-**	**120**
Total comprehensive income for the year (D) = (B + C)	**-**	**-**	**-**	**-**	**19**	**75**	**3**	**-**	**23**	**505**	**625**	**18**	**643**
Contributions by and distributions to owners:													
Contribution to equity	-	-	85	-	-	-	-	-	-	-	85	-	**85**
Transfer to retained earnings	-	-	-	-		(10)	-	-	-	10	-		
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(106)	(106)	(10)	**(116)**
Total contributions by and distributions to owners (E)	**-**	**-**	**85**	**-**	**-**	**(10)**	**-**	**-**	**-**	**(96)**	**(21)**	**(10)**	**(31)**
Changes in ownership interests in subsidiaries:									**-**				
Effect of changes in shareholding on non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)	-	**(1)**
Effect of acquisition – common control transactions	-	-	-	-	-	-	-	(14)	-	-	(14)	-	**(14)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**(1)**	**(15)**	**-**	**(15)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**85**	**-**	**-**	**(10)**	**-**	**(14)**	**-**	**(97)**	**(36)**	**(10)**	**(46)**
Balance as at 31 December 2021 (H) = (A + D + G)	**905**	**-**	**200**	**12**	**4**	**10**	**3**	**(862)**	**295**	**1,556**	**2,123**	**77**	**2,200**

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

For the year ended 31 December 2020

In millions of EUR ("MEUR")	Attributable to owners of the Company											
	Share capital	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance as at 1 January 2020	**905**	**-**	**102**	**12**	**(5)**	**(36)**	**(848)**	**315**	**975**	**1,420**	**74**	**1,494**
Restatement due to common control transaction	-	-	-	-	*2*	-	*5*	-	*6*	*13*	-	*13*
Restated balance as at 1 January 2020 (A)[1]	**905**	**-**	**102**	**12**	**(3)**	**(36)**	**(843)**	**315**	**981**	**1,433**	**74**	**1,507**
Total comprehensive income for the year:												
Profit or loss (B)	-	-	-	-	-	-	-	-	**244**	**244**	**6**	**250**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	33	-	-	-	-	33	2	**35**
Foreign currency translation differences from presentation currency	-	-	-	-	(45)	-	-	-	-	(45)	(2)	**(47)**
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)**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**(12)**	**(19)**	**-**	**(43)**	**-**	**(74)**	**-**	**(74)**
Total comprehensive income for the year (D) = (B + C)	**-**	**-**	**-**	**-**	**(12)**	**(19)**	**-**	**(43)**	**244**	**170**	**6**	**176**
Contributions by and distributions to owners:												
Contribution to equity	-	-	13	-	-	-	-	-	-	13	-	**13**
Dividends to equity holders	-	-	-	-	-	-	-	-	(78)	(78)	(11)	**(89)**
Total contributions by and distributions to owners (E)	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**(78)**	**(65)**	**(11)**	**(76)**
Changes in ownership interests in subsidiaries:								-				
Effect of changes in shareholding on non-controlling interests	-	-	-	-	-	-	-	-	1	1	-	**1**
Effect of acquisitions – common control transactions	-	-	-	-	-	-	(5)	-	-	(5)	-	**(5)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**1**	**(4)**	**-**	**(4)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**-**	**(77)**	**(69)**	**(11)**	**(80)**
Balance as at 31 December 2020 (H) = (A + D + G)	**905**	**-**	**115**	**12**	**(15)**	**(55)**	**(848)**	**272**	**1,148**	**1,534**	**69**	**1,603**

(1) Restated 2020 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 2021

In millions of EUR ("MEUR")	**Note**	**2021**	**2020 restated[1]**
OPERATING ACTIVITIES			
Profit (loss) for the year		523	250
Adjustments for:			
Income taxes	14	42	54
Dividend income		(4)	(1)
Depreciation and amortisation	15, 16	289	308
Impairment losses on property, plant and equipment, intangible assets and financial assets	12, 13	24	3
Non-cash (gain) loss from commodity derivatives for trading with electricity, gas and emission rights, net and inventory held for trading	6	453	(65)
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets		10	2
(Gain) loss on disposal of subsidiaries	5	-	(37)
Emission rights	9	709	329
Share of (profit) loss of equity accounted investees	18	61	(67)
(Gain) loss on financial instruments, excl. impairments	13	6	(2)
Net interest expense	13	23	23
Change in allowance for impairment to trade receivables and other assets, write-offs		27	21
Change in provisions		(53)	(29)
Negative goodwill	5	-	(9)
Other finance fees, net	13	-	13
Foreign exchange (gains) losses, net		76	(2)
Operating profit before changes in working capital		**2,186**	**791**
Change in trade receivables and other assets		(2,075)	(64)
Change in inventories (including proceeds from sale)		(175)	(39)
Change in trade payables and other liabilities		1,097	130
Change in restricted cash		9	11
Cash generated from (used in) operations		**1,042**	**829**
Interest paid	27	(13)	(13)
Income taxes paid		(138)	(33)
Cash flows generated from (used in) operating activities		**891**	**783**

Consolidated statement of cash flows (continued)

For the year ended 31 December 2021

In millions of EUR ("MEUR")	**Note**	**2021**	**2020 restated[(1)]**
INVESTING ACTIVITIES			
Dividends received from associates and joint-ventures		4	(2)
Dividends received, other		4	-
Loans provided to the owners		(604)	(452)
Repayment of loans provided to the owners		522	248
Purchase of financial instruments		(15)	-
Proceed (outflows) from sale (settlement) of financial instruments		-	3
Acquisition of property, plant and equipment and intangible assets	15, 16	(286)	(156)
Purchase of emission rights	16	(435)	(357)
Proceeds from sale of emission rights		262	72
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		5	1
Acquisition of subsidiaries and associates, net of cash acquired	5	(57)	(5)
Net cash inflow from disposal of subsidiaries	5	-	170
(Increase) decrease in participation in existing subsidiaries, joint-ventures and associates		(1)	1
Interest received		7	13
Cash flows from (used in) investing activities		**(594)**	**(464)**
FINANCING ACTIVITIES			
Proceeds from loans received	27	1,719	170
Repayment of borrowings	27	(823)	(380)
Contribution to equity		41	(5)
Payment of lease liability	33	(4)	(5)
Dividends paid to associates and joint ventures		(9)	(8)
Dividends paid		(48)	-
Cash flows from (used in) financing activities		**876**	**(228)**
Net increase (decrease) in cash and cash equivalents		*1,173*	*91*
Cash and cash equivalents at beginning of the year		**568**	**478**
Effect of exchange rate fluctuations on cash held		1,741	(1)
Cash and cash equivalents at end of the year		**1,741**	**568**

(1) Restated 2020 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.

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") as an empty shell company on 13 April 2016.

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

The consolidated financial statements of the Company for the year ended 31 December 2021 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 36 – Group entities.

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

In millions of EUR	**Interest in share capital**		**Voting rights**
	MEUR	%	%
Energetický a průmyslový holding, a.s.	905	100.00	100.00
Total	**905**	**100.00**	**100.00**

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

In millions of EUR	**Interest in share capital**		**Voting rights**
	MEUR	%	%
Energetický a průmyslový holding, a.s.	905	100.00	100.00
Total	**905**	**100.00**	**100.00**

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2021 were as follows:

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

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

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

The members of the Board of Directors as at 31 December 2021 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 4 May 2022.

(b) Basis of measurement

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

- 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.

Despite the pandemic, the impact of COVID-19 on the Group's 2021 financial results was limited, as the majority of the Group´s operations is concentrated around critical infrastructure and basic services for people and economies. The EPPE Group showed strong performance in 2021 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 6 – revenues;
- Note 17 – measurement of investment properties at fair value;
- Note 20 – measurement of inventories for trading at fair value less cost to sell;
- Note 28 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 27, 30 and 34 – valuation of loans and borrowings and financial instruments;
- Note 37 – 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 26 – information relating to assessment of the control over the subsidiaries;
- Note 28 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 30 – own use exemption application for forward contracts on power and CO2 emission allowances;
- Note 30 and 34 – hedge accounting application.

(f) Recently issued accounting standards

i. Newly adopted Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2021 that have been applied in preparing the Group's financial statements

The following paragraphs provide a summary of the key requirements of IFRSs that are effective for annual periods beginning on or after 1 January 2020 and that have thus been applied by the Group for the first time.

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

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

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

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

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

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

ii. Standards not yet effective

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

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

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

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

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

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)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies

The 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) and 3(b).

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

During the year 2021, the Group purchased share in EP Resources CZ a.s. (and its subsidiary EP Resources PL S.A.). As the acquired entity and its subsidiary 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 were treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. 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 was recorded to consolidated equity as pricing difference. Pricing differences are presented in Other capital reserves in equity.

(b) Changes in accounting policies and terminology

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

(c) 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.

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.

(d) 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 34 – Risk management policies and disclosures.

ii. Translation to presentation currency

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

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

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

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

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

iv. ***Derecognition***

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

v. ***Offsetting of financial assets and liabilities***

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

(f) 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.

(g) 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. Purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended for consumption or sale as part of its ordinary business. Such contracts are thus excluded from the scope of IFRS 9.

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

- delivery of the underlying takes place under such contracts;

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

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

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

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

(h) 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.

(i) 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.

(j) Impairment

i. Non-financial assets

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (i) – Inventories), investment properties (refer to accounting policy (n) – Investment property) and deferred tax assets (refer to accounting policy (s) – 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 and contract assets)***

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

• 12-month ECLs: ECLs that result from possible default events within the 12 months after the reporting date;

• lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Presentation of loss allowances

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

iii. ***Equity accounted investees***

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

(k) 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 (r) – 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

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

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

(l) Intangible assets

i. ***Goodwill and intangible assets acquired in a business combination***

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

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

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

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to accounting policy (j) – 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 (j) – 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 (j) – Impairment).

ii. ***Research and development***

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are

probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

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

iii. ***Emission rights***

Recognition and measurement

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

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

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

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

Impairment of emission rights

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

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

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

Recognition of grants

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission 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 CO2 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 (j) – 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.

(m) Provisions

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

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

The effects of changes in interest rates, inflation rates and other factors are recognised in profit or loss in operating income or expenses. Changes in estimates of provisions can arise in particular from deviations from originally estimated costs, from changes in the settlement date or in the scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss at the date of the change in estimate (see below).

i. ***Employee benefits***

Long-term employee benefits

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

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

Pension plans

In accordance with IAS 19, the projected unit credit method is the only permitted actuarial method. The benchmark (target value) applied to measure defined benefit pension obligations is the present value of vested pension rights of active and former employees and beneficiaries (present value of the defined benefit obligation). It is in general 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 CO2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

iv. ***Restructuring***

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

v. ***Asset retirement obligation and provision for environmental remediation***

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

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

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

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

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

Provisions are recognised for the following restoration activities:

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

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

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

vi. ***Onerous contracts***

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

(n) Investment property

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

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

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

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

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

(o) 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.

(p) 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 – Revenues):

- *Revenues from 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 revenues from sale of coal*

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

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

- *Logistics and freight services*

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

ii. ***Derivatives where the underlying asset is a commodity***

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

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

At the date of the financial statements, trading derivatives are measured at fair value. The change in fair value is recognised in profit or loss. 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.

(q) 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.

(r) 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.

(s) 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.

(t) Dividends

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

(u) Non-current assets held for sale and disposal groups

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

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

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

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

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

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) Investment property

The fair value of investment property is determined by an independent registered valuer. The fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies that consider the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation (discounting).

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair value of inventories held by commodity traders (for trading purposes) is based on their listed market price and is adjusted for cost to sell.

(e) Non-derivative financial assets

The fair value of financial assets at fair value through profit or loss, debt and equity instruments at FVOCI and financial assets at amortized cost is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables and of financial assets at amortized cost is determined for disclosure purposes only.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(g) Derivatives

The fair value of forward electricity, gas and emission rights contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on 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")[(1)] 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")[(2)] for EUR 481 million, on 15 December 2017 acquired through its subsidiary EPPE Germany, a.s. 90% share in JTSD – Braunkohlebergbau GmbH ("JTSD") for EUR 133 million and on 8 January 2021 EPPE acquired from EPH 100% share in EP Resources CZ a.s. ("EPRCZ") for EUR 15 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, JTSD and EPRCZ 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 2021

In millions of EUR	**Date of acquisition**	**Equity interest acquired %**	**Equity interest after acquisition %**
New subsidiaries			
EP Power Minerals GmbH, its subsidiaries, associates and joint ventures ("EP Power Minerals Group")	31/05/2021	100	100
Kraftwerk Schkopau GbR and Kraftwerk Schkopau Betriebsgesellschaft mbH ("Kraftwerk Schkopau")	01/10/2021	58.1/55.6	100
EP Resources CZ a.s.	08/01/2021	100	100
EP Resources PL S.A.	08/01/2021	100	100

EP Power Minerals Group *(renamed from STEAG Power Minerals GmbH after acquisition)*

On 31 May 2021 EP Power Europe, a.s. ("EPPE") completed a successful closing of the acquisition of EP Power Minerals GmbH ("EPPM") from STEAG. EPPM is a European leader in the provision of the power plant by-products (especially fly ash and FGD gypsum) and expendable blasting single use abrasives and also provides broad range of waste management services. With this acquisition, EPPE aims to strengthen its position in the field of sustainable development and environmentally friendly solutions which are important goals in EPPE's long-term strategy.

Kraftwerk Schkopau

On 1 October 2021, based on the historical agreement with Uniper which was officially signed in February 2020, the Group through its subsidiary Saale Energie GmbH ("Saale") acquired remaining 58.1% interest in Kraftwerk Schkopau GbR and remaining 55.6% interest in Kraftwerk Schkopau Betriebsgesellschaft mbH and became the sole owner. As a result of the transaction, the Group has gained control over both companies. The Group therefore ceased to apply the equity method over the entities and from 1 October 2021 includes them in the consolidated financial statements of the Group applying the full method of consolidation. With its net output of 900 MW, the Schkopau lignite fired power plant represents a fundamental part of the central German energy supply and primarily acts as an industrial power plant supplying specialized railway power to Deutsche Bahn and process steam for an adjacent chemical park. As such, by this acquisition EPH further expands its activities in supplies to industrial customers. This acquisition constitutes a stable link between lignite production and power generation, ensuring reliable supply for energy intensive industries in central Germany.

EP Resources CZ

On 8 January 2021 EPPE acquired from EPH 100% share in EP Resources CZ a.s. (and its subsidiary EP Resources PL S.A.). EP Resources trades in black and brown thermal coal, graded assortments, lignite multi-powder and biomass. The company is also a major customer of lime sorbents for flue gas desulphurisation and subsequent treatment of energy by-products arising after combustion. As the company was previously ultimately controlled by EPH the transaction was treated as a business combination under common control.

ii. ***31 December 2020***

In millions of EUR	**Date of acquisition**	**Equity interest acquired %**	**Equity interest after acquisition %**
New subsidiaries			
Humbly Grove Energy Limited and its subsidiary (Humbly Grove)	20/03/2020	100	100

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.

(b) Effect of acquisitions

i. 31 December 2021

Subsidiaries

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of EP Power Minerals Group and Kraftwerk Schkopau are provided in the following table.

In millions of EUR	**Carrying amount[(1)]**	**Fair value adjustment**	**2021 Total[(1)]**
Property, plant, equipment, land, buildings	48	49	97
Intangible assets	2	-	2
Trade receivables and other assets	179	(66)	113
Financial instruments – assets	37	-	37
Inventories	21	-	21
Cash and cash equivalents	19	-	19
Deferred tax asset	12	(1)	11
Provisions	(99)	(3)	(102)
Deferred tax liabilities	(3)	(5)	(8)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(130)	66	(64)
Net identifiable assets and liabilities	**84**	**40**	**124**
Goodwill on acquisition of new subsidiaries			25
Cost of acquisition			**149**
Consideration paid, satisfied in cash (A)			76
Consideration, other[(2)]			73
Total consideration transferred			**149**
Less: Cash acquired (B)			19
Net cash inflow (outflow) (C) = (B – A)			**(57)**

(1) Represents values at 100% share

(2) Consideration other represents fair value of the 41.9% of previously recognized share in Kraftwerk Schkopau of EUR 60 million and receivable of Saale Energie GmbH towards the seller arising from transfer of pension liabilities and related pension assets of EUR 13 million that was offset with the purchase price in acquisition of Kraftwerk Schkopau.

ii. 31 December 2020

Subsidiaries

The fair value of the consideration transferred, and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Humbly Grove are provided in the following table.

In millions of EUR	**Carrying amount[(1)]**	**Fair value adjustment**	**2020 Total[(1)]**
Property, plant, equipment, land, buildings	83	(37)	46
Inventories	1	-	1
Trade receivables and other assets	2	-	2
Financial instruments – assets	3	-	3
Cash and cash equivalents	3	-	3
Provisions	(33)	5	(28)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(8)	-	(8)
Net identifiable assets and liabilities	**49**	**(32)**	**17**
Negative goodwill on acquisition of new subsidiaries			(9)
Cost of acquisition			**8**
Consideration paid, satisfied in cash (A)			8
Total consideration transferred			**8**
Less: Cash acquired (B)			3
Net cash inflow (outflow) (C) = (B – A)			**(5)**

(1) Represents values at 100% share.

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.

In 2021, the Group recognized goodwill of EUR 22 million from the acquisition of EP Power Minerals Group and EUR 3 million from the acquisition of Kraftwerk Schkopau.

In 2020, the Group recognized 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.

The following table provides information on revenues and profit or loss of acquirees that have been included in the consolidated statement of comprehensive income for the reporting period.

In millions of EUR	**2021 Total**
Revenue of the acquirees recognised since the acquisition date(1)	488
Profit (loss) of the acquirees recognised since the acquisition date(1)	(26)

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

In millions of EUR	**2020 Total**
Revenue of the acquirees recognised since the acquisition date	18
Profit (loss) of the acquirees recognised since the acquisition date	(3)

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2021 or as at 1 January 2020); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

In millions of EUR	**2021 Total**
Revenue of the acquirees recognised in the year ended 31 December 2021*(1)	786
Profit (loss) of the acquires recognised in the year ended 31 December 2021*(1)	(18)

In millions of EUR	**2020 Total**
Revenue of the acquirees recognised in the year ended 31 December 2020*	17
Profit (loss) of the acquires recognised in the year ended 31 December 2020*	1

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

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

(c) Business combinations – acquisition accounting 2021 and 2020

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the parent company 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 2021 are presented in the following table:

In millions of EUR	**Property, plant and equipment**	**Trade receivables and other assets**	**Provisions**	**Trade payables and other liabilities**	**Deferred tax liability**	**Total net effect on financial position**
Subsidiary						
EP Power Minerals Group	6	-	(3)	-	(1)	2
Kraftwerk Schkopau	43	(66)	-	66	(5)	38
Total	**49**	**(66)**	**(3)**	**66**	**(6)**	**40**

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

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

(d) Disposal of investments

i. 31 December 2021

There were no disposals of investments during the year 2021.

ii. 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:

In millions of EUR	**Net assets sold in 2020**
Property, plant, equipment, land, buildings	(294)
Trade receivables and other assets	(16)
Inventories	(2)
Cash and cash equivalents	(7)
Provisions	34
Deferred tax liabilities	9
Trade payables and other liabilities	132
Net identifiable assets and liabilities	**(144)**
Net assets value disposed	**(144)**
Gain (loss) on disposal	**36**

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.

6. Revenues

In millions of EUR	**2021**	**2020 restated[(1)]**
Revenues: Energy		
of which: Electricity	9,335	3,903
Gas	6,529	751
Coal	217	210
Other energy products	40	14
Total Energy	**16,121**	**4,878**
Revenues: Logistics and freight services	**704**	**161**
Revenues: Other	**304**	**274**
Total revenues from customers	**17,129**	**5,313**
Gain (loss) from commodity and freight derivatives, net	**(686)**	**65**
Total	**16,443**	**5,378**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

Other revenues 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.

Line item "Gain (loss) from commodity and freight derivatives, net" comprises of transactions related mostly to derivatives held for risk management purposes for which hedge accounting documentation under IFRS is however not prepared. This includes measurement of unsettled derivatives to fair value as at the balance sheet date as well as certain reclassification adjustments between gain (loss) from commodity derivatives and revenues from energy and related services related to derivative contract held for risk management purposes, which are reported as trading derivatives according to IFRS requirements. As a result of IFRS treatment, revenues from sale of underlying commodity are measured using fair value of the underlying commodity as at the date of settlement of the derivative contract and difference between contracted price and fair value is included in Gain (loss) from commodity and freight derivatives.

Total revenues less total purchases and consumables are presented in line "Subtotal" in the statement of comprehensive income.

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

In millions of EUR	**2021**	**2020 restated[(1)]**
United Kingdom	3,104	1,365
Italy	2,447	1,298
Germany	3,493	975
Luxembourg	2,567	281
France	960	648
Czech Republic	671	220
Switzerland	645	131
Ireland	843	104
Austria	352	32
Other	1,361	324
Total	**16,443**	**5,378**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

In 2021 and 2020 no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

7. Purchases and consumables

In millions of EUR	**2021**	**2020 restated[1]**
Purchases and consumables: Energy		
Purchase cost of sold electricity	4,228	1,341
Purchase cost of sold gas and other energy products	6,496	991
Consumption of fuel and other material	2,347	939
Consumption of energy	12	7
Other purchase cost	226	159
Total Energy	**13,309**	**3,437**
Purchases and consumables: Other		
Other cost of goods sold	704	301
Other purchases	37	28
Consumption of material	16	13
Consumption of energy	14	5
Changes in WIP, semi-finished products and finished goods	8	(3)
Total Other	**779**	**344**
Total	**14,088**	**3,781**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

Purchases and consumables 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

In millions of EUR	**2021**	**2020 restated[1]**
Wages and salaries	247	229
Compulsory social security contributions	58	59
Expenses and revenues related to employee benefits (IAS 19)	5	19
Other social expenses	9	59
Total	**319**	**366**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

The average number of employees during 2021 was 4,077 (restated 2020: 4,182), of which 62 were executives (restated 2020: 72).

9. Emission rights

In millions of EUR	**2021**	**2020**
Profit (loss) from sale of emission rights	(81)	72
Creation of provision for emission rights	(1,214)	(370)
Gain (loss) from commodity derivatives for trading with emission rights, net	343	(47)
Deferred income (grant) released to profit and loss	243	16
Use of provision for emission rights	380	365
Consumption of emission rights	(380)	(365)
Total	**(709)**	**(329)**

The increase of emission rights costs is caused primarily by the increase of average price of 1 piece of emission allowance from 25.01 EUR/piece in 2020 to 53.65 EUR/piece in 2021, which was to a certain extent limited by the fact that the Group policy is to hedge a portion of emission rights cost in advance.

Increase in deferred income (grant) release relates mostly to acquisition of Kraftwerk Schkopau which receives part of its allowances from its customer.

The Ministries of the Environment of the Czech Republic, 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(g) – Derivative financial instruments – Transactions with emission rights and energy, Note 3(l) iii – Intangible assets – Emission rights and Note 3(m) 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 and its selected subsidiaries, Kraftwerk Mehrum GmbH, Lynemouth Power Limited, EP UK Investments LTD and its selected subsidiaries, EP Produzione S.p.A. and its selected subsidiaries, Gazel Energie Generation S.A.S and Gazel Energie Solutions S.A.S.

10. Taxes and charges

In millions of EUR	**2021**	**2020**
Carbon price support[(1)]	71	73
Property tax and real estate transfer tax	20	22
Electricity tax	7	6
Other taxes and charges expenses (income)	10	17
Total	**108**	**118**

(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

In millions of EUR	**2021**	**2020 restated[(1)]**
Tolling fee	14	17
Compensation from insurance companies	45	16
Consulting fees	12	14
Inventories surplus	4	4
Ecological tax reimbursement	5	4
Revenues from written off liabilities	-	3
Rental income	2	2
Contractual penalties	20	5
Profit from sale of material	4	1
Other	24	16
Total	**130**	82

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

12. Other operating expenses

In millions of EUR	**2021**	**2020 restated[1]**
Office equipment and other material	37	60
Impairment losses	48	35
Of which relates to: Inventories	*15*	*21*
Property, plant and equipment and intangible assets	*10*	*15*
Trade receivables and other assets	*12*	*(1)*
Goodwill	*11*	-
Consulting expenses	40	30
Outsourcing and other administration fees	27	30
Insurance expenses	26	22
Rent expenses	8	13
Environmental expenses	20	12
Information technologies costs	12	12
Fees and commissions expense – intermediation	8	8
Security services	3	3
Gifts and sponsorship	3	3
Transport expenses	2	2
Re-transmission fee[2]	6	2
Training, courses, conferences	3	2
Loss on disposal of tangible and intangible assets	10	2
Communication expenses	2	1
Contractual penalties	-	3
Advertising expenses	1	1
Loss from written off receivables	2	1
Change in provisions, net	21	(3)
Other	38	43
Total	**317**	**282**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1

(2) Re-transmission fee is National Grid's recovery of costs of installing and maintaining the transmission system in England, Wales and offshore. The amount paid is based on geographical location and size of generation.

No material research and development expenses were recognised in profit and loss for the year 2021 and 2020.

13. Finance income and expense, profit (loss) from financial instruments

Recognised in profit or loss

In millions of EUR	**2021**	**2020 restated[1]**
Interest income	13	18
Dividend income	4	1
Finance income	**17**	**19**
Interest expense incl. various financing and refinancing related fees	(31)	(33)
Interest expense from unwind of provision discounting	(5)	(8)
Fees and commissions expense for other services	(13)	(13)
Net foreign exchange loss	(6)	(5)
Finance expense	**(55)**	**(59)**
Profit (loss) from other derivatives for trading	(20)	9
Profit (loss) from interest rate derivatives for trading	1	(3)
Impairment losses/gains on financial assets[2]	(3)	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)	(2)
Profit (loss) from commodity derivatives for trading	14	2
Profit (loss) from financial instruments	**(9)**	**14**
Net finance income (expense) recognised in profit or loss	**(47)**	**(26)**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1
(2) For details refer to Note 18 – Equity accounted investees and Note 30 – Financial instruments.

14. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	**2021**	**2020 restated[1]**
Current taxes:		
Current year	(136)	(62)
Adjustment for prior periods	3	(1)
Total current taxes	**(133)**	**(63)**
Deferred taxes:		
Origination and reversal of temporary differences[2]	91	9
Total deferred taxes	**91**	**9**
Total income taxes (expense) benefit recognised in profit or loss	**(42)**	**(54)**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1
(2) For details refer to Note 19 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 35 million (2020: EUR 32 million) is mainly represented by EP Produzione S.p.A. of EUR 11 million (2020: EUR 28 million) and EP New Energy Italia S.r.l. of EUR 13 million (2020: 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 2021	2020
The Czech Republic	19%	19%
Germany	28.83% - 32.83%	28.47% - 30.00%
Italy	24%	24%
United Kingdom	19% - 25%(3)	19%
Poland	19%	19%
Ireland	12.5%	12.5%
France	26.5% - 27.5% (1)	31%(2)

(1) 26.5% rate applies to companies with revenues below EUR 250 million
(2) 28% rate applying to the first EUR 500,000 of taxable income
(3) 25% rate applying to companies with profit over EUR 58,000 effective from April 2023

Income tax recognised in other comprehensive income

In millions of EUR	2021		
	Gross	**Income tax**	**Net of income tax**
Revaluation reserve included in other comprehensive income	3	-	3
Foreign currency translation differences for foreign operations	(84)	-	(84)
Foreign currency translation differences from presentation currency	103	-	103
Effective portion of changes in fair value of cash-flow hedges(1)	27	(4)	23
Fair value reserve included in other comprehensive income(1)	83	(8)	75
Total	**132**	**(12)**	**(120)**

(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.

In millions of EUR	2020 restated(1)		
	Gross	**Income tax**	**Net of income tax**
Foreign currency translation differences for foreign operations	33	-	33
Foreign currency translation differences from presentation currency	(45)	-	(45)
Effective portion of changes in fair value of cash-flow hedges(1)	(45)	2	(43)
Fair value reserve included in other comprehensive income	(21)	2	(19)
Total	**(78)**	**4**	**(74)**

(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		**2021**		**2020 restated[1]**
	%		**%**	
Profit before tax		565		304
Income tax using the Company's domestic rate (19%)	19%	107	19%	58
Effect of tax rates in foreign jurisdictions	2.7%	15	2.3%	7
Non-deductible expenses[2]	4.6%	26	7.0%	21
Other non-taxable income[3]	(8.7%)	(49)	(15.8%)	(48)
Change in tax rate	(0.5%)	(3)	-	-
Tax incentives	-	-	(2.3%)	(7)
Current year losses for which no deferred tax asset was recognised	0.4%	2	7.3%	22
Recognition of previously unrecognised tax losses	(0.4%)	(2)	-	-
Current period adjustment for deferred tax recognized in prior period[4]	(9.2%)	(52)		
Withholding tax, income tax adjustments for prior periods	(0.4%)	(2)	0.3%	1
Income taxes recognised in profit or loss	**7.5%**	**42**	**17.8%**	**54**

(1) Restated 2020 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 36 million (2020: EUR 15 million), goodwill impairment of EUR 11 million (2020: EUR 0 million) and non-deductible interest expense in the amount of EUR 8 million (2020: EUR 16 million).

(3) The basis consists mainly of a permanent difference between local GAAP and IFRS for NBV of fixed assets and reversal of provisions and allowances of EUR 62 million (2020: EUR 35 million) and a share of profit of equity accounted investees of EUR 1 million (2020: EUR 67 million). In the year ended 31 December 2020, the balance also consists of a negative goodwill of EUR 10 million, non-taxable interest income of EUR 11, reversal of valuation allowance to financial investment in Ergosud S.P.A. in the amount of EUR 12 million and of the profit from sale of investment in Kernaman S.A.S. of EUR 33 million.

(4) The basis contains deferred tax asset relating to revaluation of fixed assets measured under revaluation model in local GAAP of EUR 200 million recognized by EP Produzione S.p.A. and Fiume Santo S.p.A.

15. Property, plant and equipment

In millions of EUR	**Land and buildings**[1]	**Technical equipment, plant and machinery**[1]	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2021	**435**	**2,869**	**11**	**35**	**3,350**
Effects of movements in foreign exchange rates	2	76	-	2	**80**
Additions	16	86	1	84	**187**
Additions through business combinations[2]	46	49	2	-	**97**
Disposals	(14)	(31)	(1)	(1)	**(47)**
Transfer to investment property	(18)	-	-	-	**(18)**
Revaluation[3]	3	-	-	-	**3**
Transfer to/from intangible assets	-	6	-	(14)	**(8)**
Transfers	1	1	-	(2)	**-**
Balance at 31 December 2021	**471**	**3,056**	**13**	**104**	**3,644**
Depreciation and impairment losses					
Balance at 1 January 2021	**(115)**	**(1,333)**	**(4)**	**(1)**	**(1,453)**
Effects of movements in foreign exchange rates	(3)	(22)	(1)	2	**(24)**
Depreciation charge for the year	(22)	(243)	(1)	(1)	**(267)**
Disposals	-	31	1	-	**32**
Impairment losses recognised in profit or loss	-	(6)	-	(2)	**(8)**
Balance at 31 December 2021	**(140)**	**(1,573)**	**(5)**	**(2)**	**(1,720)**
Carrying amounts					
At 1 January 2021	**320**	**1,536**	**7**	**34**	**1,897**
At 31 December 2021	**331**	**1,483**	**8**	**102**	**1,924**

(1) Including right-of-use assets.
(2) Purchase of EP Power Minerals Group and Kraftwerk Schkopau GrB.
(3) This balance relates to revaluation of land to fair value and subsequent transfer to investment property. Refer to note 17 – Investment property

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

(1) Including right-of-use assets.
(2) Purchase of Humbly Grove Energy Limited.
(3) Disposal of Kernaman S.A.S.

Idle assets

As at 31 December 2021 and 31 December 2020, the Group had no significant idle assets.

Security

As at 31 December 2021, property, plant and equipment with carrying value of EUR 626 million (2020: EUR 700 million) is subject to pledges from financial indebtedness and hedging transactions.

16. Intangible assets (including goodwill)

In millions of EUR	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2021	**66**	**27**	**90**	**164**	**10**	**357**
Effect of movements in foreign exchange rates	1	2	2	3	(2)	**6**
Additions	-	4	371	-	8	**383**
Disposals	-	-	(380)	(90)	(3)	**(473)**
Additions through business combinations[(1)]	25	-	-	-	2	**27**
Transfer from tangible assets	-	-	-	-	8	**8**
Balance at 31 December 2021	**92**	**33**	**83**	**77**	**23**	**308**
Amortisation and impairment losses						
Balance at 1 January 2021	**(25)**	**(20)**	**-**	**(103)**	**(3)**	**(151)**
Effect of movements in foreign exchange rates	(1)	-	-	(1)	-	**(2)**
Amortisation for the year	-	(4)	-	(13)	(5)	**(22)**
Disposals	-	-	-	90	3	**93**
Impairment losses recognised in profit or loss	(11)	(1)	-	-	(1)	**(13)**
Balance at 31 December 2021	**(37)**	**(25)**	**-**	**(27)**	**(6)**	**(95)**
Carrying amount						
At 1 January 2021	**41**	**7**	**90**	**61**	**7**	**206**
At 31 December 2021	**55**	**8**	**83**	**50**	**17**	**213**

(1) Acquisition of EP Power Minerals Group

In millions of EUR	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2020	**68**	**23**	**94**	**166**	**7**	**358**
Effect of movements in foreign exchange rates	(2)	-	(1)	(2)	-	**(5)**
Additions	-	3	362	-	4	**369**
Disposals	-	-	(365)	-	-	**(365)**
Transfers	-	1	-	-	(1)	**-**
Balance at 31 December 2020	**66**	**27**	**90**	**164**	**10**	**357**
Amortisation and impairment losses						
Balance at 1 January 2020	**(27)**	**(15)**	**-**	**(88)**	**-**	**(130)**
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)**
Balance at 31 December 2020	**(25)**	**(20)**	**-**	**(103)**	**(3)**	**(151)**
Carrying amount						
At 1 January 2020	**41**	**8**	**94**	**78**	**7**	**228**
At 31 December 2020	**41**	**7**	**90**	**61**	**7**	**206**

In 2021, EPPE Group purchased emission allowances of EUR 435 million (2020: EUR 357 million). Emission allowances of EUR 11 million (2020: 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 2021 and 2020.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to single cash generating units are as follows (no intangible assets with indefinite useful lives were identified):

In millions of EUR	**31 December 2021**	**31 December 2020**
Biomasse Crotone S.pA.	9	20
Biomasse Italia S.p.A.	16	16
Helmstedter Revier GmbH	5	5
EP Power Minerals GmbH	22	-
Kraftwerk Schkopau GbR	3	-
Total goodwill	**55**	**41**

In 2021, the balance of goodwill increased by EUR 25 million as a result of acquisition of EP Power Minerals Group and Kraftwerk Schkopau GbR and decreased by EUR 11 million as a result of goodwill impairment recognized by Biomasse Crotone S.p.A.

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% (2020: 0% – 2%), which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, CO_2 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 4.77% to 11.89% (2020: 4.67% to 7.55%).

In 2021, the impairment of goodwill at Biomasse Crotone S.p.A. of EUR 11 million is recognized due to the fact that subsidies for biomass production are to end in 2027. Part of the subsidies value previously

recognized within goodwill has already been realized in past profits and it is reflected as a decrease in value of goodwill via impairment (2020: EUR 0 million impairment of goodwill).

With exception of Biomass Crotone S.p.A the Group did not identify any CGU for which reasonably possible change in key management assumptions (EBITDA, terminal growth, discount rate) would cause that recoverable amount would decrease below its carrying amount.

17. Investment property

In millions of EUR	**31 December 2021**	**31 December 2020**
Opening balance	-	-
Transfer from property, plant and equipment	18	-
Effects of movements in foreign exchange rate	1	-
Closing balance	**19**	**-**

Security

As at 31 December 2021, no investment property is subject to pledges to secure bank loans (2020: EUR 0 million).

18. Equity accounted investees

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

In millions of EUR		Ownership 31 December 2021	Carrying amount 31 December 2021
Associates and joint ventures	**Country**	**%**	
LEAG Group[1]	*(2)*	50.00	865
Ergosud S.p.A.	Italy	50.00	63
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	18
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	4
Total		**-**	**950**

In millions of EUR		Ownership 31 December 2020	Carrying amount 31 December 2020
Associates and joint ventures	**Country**	**%**	
LEAG Group[1]	*(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
Total		**-**	**805**

(1) Refer to Note 36 – Group entities for detail of entities included in LEAG Group.
(2) Country of incorporation varies, for details refer to Note 36 – Group entities.

On 1 October 2021, based on the historical agreement with Uniper which was officially signed in February 2020, Saale Energie GmbH acquired remaining 58.1% interest in Kraftwerk Schkopau GbR and remaining 55.6% interest in Kraftwerk Schkopau Betriebsgesellschaft mbH and became the sole owner. As a result of the transaction, the Group has gained control over both companies. The Group therefore ceased to apply the equity method over the entities and from 1 October 2021 includes them in the consolidated financial statements of the Group applying the full method of consolidation. For more details refer to Note 5(a).

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

In millions of EUR		Ownership 31 December 2021	Share of profit (loss) 2021
Associates and joint ventures	**Country**	**%**	
LEAG Group	*(1)*	50.00	(68)
Ergosud S.p.A.	Italy	50.00	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	5
Kraftwerk Schkopau GbR[2]	Germany	41.90	2
Total		**-**	**(61)**

(1) Country of incorporation varies, for details refer to Note 36 – Group entities.
(2) Represents share in profit for the period till 1 October 2021 when remaining 58.1% was acquired by the Group.

In millions of EUR		Ownership 31 December 2020	Share of profit (loss) 2020
Associates and joint ventures	**Country**	**%**	
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)
Total		**-**	**67**

(1) Country of incorporation varies, for details refer to Note 36 – Group entities.

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 31 December 2021 and 2020 and for the years then ended.

In millions of EUR	**2021**	**2020**
Statement of financial position information		
Total assets	**11,949**	**6,122**
Non-current assets	2,494	2,822
Current assets	9,455	3,300
of which: cash and cash equivalents	*1,092*	*388*
other current assets	*8,363*	*2,912*
Total liabilities	**10,224**	**4,804**
Non-current liabilities	4,166	3,345
of which: financial liabilities (excluding trade payables)	*13*	*30*
other non-current liabilities	*4,153*	*3,315*
Current liabilities	6,058	1,459
of which: financial liabilities (excluding trade payables)	*545*	*73*
other current liabilities	*5,513*	*1,386*
Equity	**1,725**	**1,318**
Statement of comprehensive income information		
Revenues	3,446	2,523
of which: interest income	-	*1*
Depreciation and amortization	(255)	(268)
Interest expense	(32)	(33)
Income tax expense	(18)	(9)
Profit (loss) for the year	**(1)(125)**	**(1)134**
Other comprehensive income	535	(64)
Total comprehensive income for the year	**410**	**70**

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

Summary financial information for standalone associates, presented at 100% as at 31 December 2021 and for the year then ended.

In millions of EUR

Associates and joint ventures	**Revenue**	**Profit (loss)**	**Other compre-hensiv income**	**Total compre-hensive income**	**Assets**	**Liabilities**	**Equity**
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	57	10	-	10	55	28	27
Fernwärme GmbH Hohenmölsen - Webau(1)	6	-	-	-	14	3	11
Ergosud S.p.A.	81	(1)	-	(1)	286	160	126
Total	**144**	**9**	**-**	**9**	**355**	**191**	**164**

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

In millions of EUR

Associates and joint ventures	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	24	31	20	8
Fernwärme GmbH Hohenmölsen - Webau(1)	13	1	1	2
Ergosud S.p.A.	182	104	70	90
Total	**219**	**136**	**91**	**100**

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

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

In millions of EUR

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

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

In millions of EUR

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

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

19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

In millions of EUR	31 December 2021	31 December 2021	31 December 2021	31 December 2020	31 December 2020	31 December 2020
Temporary difference related to:	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	77	(84)	(7)	20	(80)	(60)
Intangible assets	-	(18)	(18)	1	(16)	(15)
Inventories	11	-	11	9	-	9
Provisions	72	-	72	84	-	84
Employee benefits (IAS 19)	-	(7)	(7)	(4)	(15)	(19)
Tax losses	5	-	5	5	-	5
Derivatives	1,030	(1,048)	(18)	63	(84)	(21)
Other items	95	(55)	40	78	(62)	16
Subtotal	**1,290**	**(1,212)**	**78**	**256**	**(257)**	**(1)**
Set-off tax	(1,152)	1,152	-	(196)	196	-
Total	**138**	**(60)**	**78**	**60**	**(61)**	**(1)**

Movements in deferred tax during the year

In millions of EUR

Balances related to:	**Balance at 1 January 2021**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Effect of movements in foreign exchange rate**	**Acquired in business combination[(1)]**	**Transfer**	**Balance at 31 December 2021**
Property, plant and equipment	(60)	63	-	(4)	(6)	-	(7)
Intangible assets	(15)	(3)	-	-	-	-	(18)
Inventories	9	2	-	-	-	-	11
Provisions	84	(18)	(1)	(2)	9	-	72
Employee benefits (IAS 19)	(19)	2	(11)	-	-	21	(7)
Tax losses	5	-	-	-	-	-	5
Derivatives	(21)	10	(4)	-	-	(3)	(18)
Other	16	35	4	3	-	(18)	40
Total	**(1)**	**91**	**(12)**	**(3)**	**3**	**-**	**78**

(1) Acquisition of Kraftwerk Schkopau GbR. and EP Power Minerals GmbH.

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[(1)]**	**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
Total	**(22)**	**9**	**4**	**(1)**	**9**	**0**	**(1)**

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

Unrecognised deferred tax assets

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

In millions of EUR	**31 December 2021**	**31 December 2020**
Tax losses carried forward	1,239	1,112
Total	**1,239**	**1,112**

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

In millions of EUR	**31 December 2021**	**31 December 2020**
EP France S.A.S. and its subsidiaries	1,163	1,045
Humbly Grove Energy Limited	64	64
EP UK Investments Limited	11	-
EP Yuzivska B.V.	1	-
EPPE Germany a.s.	-	3
Total	**1,239**	**1,112**

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 2021, then the associated tax income (savings) would be up to EUR 310 million (2020: EUR 337 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:

	2022	**2023**	**2024**	**2025**	**After 2026**	**Total**
Tax losses	2	-	-	-	1,237	**1,239**

Tax losses expire over a period of 5 years in the Czech Republic, 6 years (9 years for losses up to 2018) in the Netherlands for standard tax losses and indefinitely in France, Germany and the UK. Under current tax legislation, some deductible temporary differences do not expire. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

20. Inventories

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Inventories for trading held at fair value	322	101
Fossil fuel	96	97
Spare parts	76	69
Raw material and supplies	61	62
Overburden	13	20
Finished goods and merchandise	47	23
Work in progress	1	1
Total	**616**	**373**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1

Inventories for trading held at fair value are categorized within Level 1 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

As at 31 December 2021, inventories in the amount of EUR 41 million were subject to pledges (2020: EUR 57 million).

21. Trade receivables and other assets

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Trade receivables	851	569
Uninvoiced supplies	171	91
Margin of stock exchange derivatives	1,548	119
Value added tax receivables	159	63
Other advance payments	132	40
Advance payments for long-term tangible and intangible assets	117	20
Other tax receivables	19	13
Subsidies related to renewable energy	40	37
Other accrued income	165	53
Estimated receivables	31	7
Other receivables and assets	113	86
Receivables from emission rights granted free-of-charge	227	-
Defined benefit assets in excess of obligations	15	-
Allowance for bad debts	(17)	(5)
Total	**3,571**	**1,093**
Non-current	82	67
Current	3,489	1,026
Total	**3,571**	**1,093**

(1) Restated 2020 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

As at 31 December 2021, trade receivables with a carrying value of EUR 637 million are subject to pledges (2020: EUR 238 million).

As at 31 December 2021, trade receivables and other assets amounting EUR 3,542 million are not past due (2020: EUR 1,093 million), remaining balance of EUR 29 million is overdue (2020: EUR 0 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 34 – Risk management policies and disclosures.

22. Cash and cash equivalents

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Current accounts with banks	1,741	568
Total	**1,741**	**568**

(1) Restated 2020 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

As at 31 December 2021, cash equivalents of EUR 170 million are subject to pledges (2020: EUR 94 million) in case the Group defaults on some of its indebtedness. As such, pledged cash is readily available and is not classified as restricted.

23. Restricted cash

As at 31 December 2021, the balance of restricted cash is represented mainly by EUR 16 million (2020: EUR 15 million) security given by Eggborough Power Limited ("EPL") to the pension fund. This is expected to remain in place until risk on the schemes funding deficit is eliminated. Remaining balance of EUR 6 million includes mainly deposits related to pension schemes by other Group companies.

As at 31 December 2020, balance of restricted cash includes also EUR 11 million cash on debt service reserve account by EP UK Finance Limited.

As at 31 December 2021 restricted cash of EUR 16 million is subject to pledges (2020: EUR 26 million).

24. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 31 December 2021 consisted of 117,631 ordinary shares with a par value of CZK 200 thousand each (2020: 117,631 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 2021	**Number of shares**	**Ownership %**	**Voting rights %**
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
Total		**100.00**	**100.00**

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

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is provided as follows:

	Number of shares 2021
Shares outstanding at the beginning of the year	117,631
Shares outstanding at the end of the year	**117,631**

	Number of shares 2020
Shares outstanding at the beginning of the year	117,631
Shares outstanding at the end of the year	**117,631**

Reserves recognised in equity comprise the following items:

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Hedging reserve	295	272
Other capital funds from capital contributions[(2)]	200	115
Non-distributable reserves	12	12
Translation reserve	4	(15)
Fair value reserve	10	(55)
Other capital reserves	(862)	(848)
Revaluation reserve	3	-
Total	**(338)**	**(519)**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1

(2) 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 85 million (2020: 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.

On 8 January 2021 EPPE acquired from EPH 100% share in EP Resources CZ a.s. (and its subsidiary EP Resources PL S.A.). As the company was previously ultimately controlled by EPH the transaction was treated as a business combination under common control. The effect from the transaction had negative impact on Other capital reserves in amount of EUR 14 million.

Non-distributable reserves

The legal reserve of EUR 12 million was reported as at 31 December 2021 (2020: 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.

Revaluation reserve

The revaluation reserve represents mainly the effect from the revaluation of the investment property held by the companies within the Group.

Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 30 – Financial instruments and Note 34 – Risk management policies and disclosure).

25. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 200,000 nominal value equal 4,293 (restated 2020: 2,074).

The calculation of basic earnings per share as at 31 December 2021 was based on a profit attributable to ordinary shareholders of EUR 505 million (restated 2020: EUR 244 million), and a weighted average number of ordinary shares outstanding of 117,631 (2020: 117,631).

Weighted average number of ordinary shares 2021

In millions of shares	**Nominal**	**Weighted**
Issued ordinary shares at the beginning of the year	117,631	117,631
Total	**117,631**	**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
Total	**117,631**	**117,631**

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.

26. Non-controlling interest

31 December 2021 *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**
Non-controlling percentage	**25.00%**	**10.00%**	**20.00%**	**24.50%**		
Business activity	Production of electricity and heat	Coal mining and production of electricity	Production of electricity	Production of electricity		
Country	Italy	Germany	Ireland	Italy		
Carrying amount of NCI at 31 December 2021	**40**	**5**	**17**	**16**	**(1)**	**77**
Profit (loss) attributable to non-controlling interest	**2**	**(1)**	**7**	**11**	**(1)**	**18**
Dividends declared	**-**	**-**	**(3)**	**(6)**	**(1)**	**(10)**
Statement of financial position information[1]						
Total assets	349	649	106	251		
of which: non-current	*124*	*497*	*77*	*117*		
current	*225*	*152*	*29*	*134*		
Total liabilities	187	564	24	182		
of which: non-current	*10*	*411*	*3*	*80*		
current	*177*	*153*	*21*	*102*		
Net assets	**162**	**85**	**82**	**69**		
Statement of comprehensive income information[1]						
Total revenues	592	388	314	212		
of which: dividends received	-	-	-	-		
Profit after tax	6	(11)	34	57		
Total comprehensive income for the year[1]	**6**	**(11)**	**34**	**57**		
Net cash inflows (outflows)[1]	**(25)**	**18**	**5**	**(10)**		

(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 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**
Non-controlling percentage	**25.00%**	**10.00%**	**20.00%**	**24.50%**		
Business activity	Production of electricity and heat	Coal mining and production of electricity	Production of electricity	Production of electricity		
Country	Italy	Germany	Ireland	Italy		
Carrying amount of NCI at 31 December 2020	**39**	**3**	**13**	**9**	**5**	**69**
Profit (loss) attributable to non-controlling interest	**1**	**(5)**	**1**	**4**	**5**	**6**
Dividends declared	**(5)**	**-**	**(1)**	**(4)**	**(1)**	**(11)**
Statement of financial position information[1]						
Total assets	199	654	92	252		
of which: non-current	*128*	*477*	*77*	*134*		
current	*71*	*177*	*15*	*118*		
Total liabilities	45	594	29	218		
of which: non-current	*11*	*379*	*10*	*102*		
current	*34*	*215*	*19*	*116*		
Net assets	**154**	**60**	**63**	**34**		
Statement of comprehensive income information[1]						
Total revenues	174	391	102	157		
of which: dividends received	-	-	-	-		
Profit after tax	3	(46)	6	15		
Total comprehensive income for the year[1]	**3**	**(46)**	**6**	**15**		
Net cash inflows (outflows)[1]	**(2)**	**2**	**(14)**	**(25)**		

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

27. Loans and borrowings

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Loans payable to credit institutions	76	450
Loans payable to other than credit institutions	1,462	430
of which loans payable to sole shareholder	*1,454*	*405*
Revolving credit facility	377	103
Factoring loans	43	24
Lease liabilities	20	12
Total	**1,978**	**1,019**
Non-current	261	247
Current	1,717	772
Total	**1,978**	**1,019**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1

The weighted average interest rate on loans for 2021 was 1.50% (2020: 1.69%).

Other loans and borrowings

Terms and debt repayment schedule

Terms and conditions of outstanding loans as at 31 December 2021 were as follows:

In millions of EUR	**Cur-rency**	**Nominal interest rate**	**Year of maturity (up to)**	**Balance at 31/12/21**	**Due within 1 year**	**Due in 1–5 years**	**Due in following years**
Unsecured bank loan	EUR	variable*	2023	11	6	5	-
Secured bank loan	EUR	variable*	2025	65	15	50	-
Unsecured loan	GBP	fixed	2024	1,337	1,188	149	-
Unsecured loan	CZK	fixed	2024	45	31	14	-
Unsecured loan	EUR	fixed	2025	33	26	7	-
Unsecured loan	USD	fixed	2022	27	27	-	-
Unsecured loan	PLN	fixed	2023	20	2	18	-
Revolving credit facility	EUR	variable*	2025	320	320	-	-
Revolving credit facility	USD	fixed	2022	22	22	-	-
Revolving credit facility	USD	variable*	2022	35	35	-	-
Factoring loan	EUR	fixed	2022	5	5	-	-
Factoring loan	EUR	variable*	2022	38	38	-	-
Lease liabilities	-	-	-	20	2	13	5
Total interest-bearing liabilities				**1,978**	**1,717**	**256**	**5**

* *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 2020 (restated) were as follows:

In millions of EUR	**Cur-rency**	**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	8	8	-	-
Unsecured loan	PLN	fixed	2021	3	3	-	-
Unsecured loan	PLN	fixed	2023	13	-	13	-
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	6	4	2
Total interest-bearing liabilities				**1,019**	**772**	**245**	**2**

* *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:

In millions of EUR	**31 December 2021**		**31 December 2020 restated**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Loans payable to credit institutions	76	91	450	436
Loans payable to other than credit institutions	1,462	1,486	430	449
Revolving credit facility	377	378	103	106
Factoring loans	43	44	24	25
Lease liabilities	20	20	12	12
Total	**1,978**	**2,019**	**1,019**	**1,028**

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).

Equity accounted investee – Lausitz Energie Kraftwerke AG ("LEK")

In connection with the war in Ukraine, there have been considerable price distortions in the energy sector on the energy markets, which have led to corresponding fluctuations in electricity prices on the forward markets. As a result, at LEK, the liquidity risks resulting from the collateral (margin) to be provided to hedging partners have increased. In order to counteract these risks, LEK secured an additional credit limit in the mid-single-digit billion-euro range with a credit institution in March 2022. If necessary, these funds can be used to make the necessary security payments.

Significant investing and financing activities not requiring cash:

In millions of EUR	**31 December 2021**	**31 December 2020**
Investing activities	73	78
Financing activities	-	33
Total	**73**	**111**

For the year 2021 investing activity include set-off of loan against dividends to EPH amounting EUR 73 million (2020: EUR 78 million). For the year 2020 non-cash financing activity include partial set-off of loans with parent company (EPH) in amount of EUR 33 million.

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	Lease liabilities	Share capital/ premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2021 (restated)[1]	**450**	**430**	**103**	**24**	**12**	**905**	**(519)**	**1,148**	**69**	**2,622**
Changes from financing cash flows										
Contribution to equity from shareholders	-	*(30)	-	-	-	-	71	-	-	**41**
Proceeds from loans and borrowings	15	1,154	376	174	-	-	-	-	-	**1,719**
Repayment of borrowings	(397)	(169)	(102)	(155)	-	-	-	-	-	**(823)**
Payment of lease liabilities	-	-	-	-	(4)	-	-	-	-	**(4)**
Dividend paid[1]	-	-	-	-	-	-	-	(36)	(15)	**(51)**
Total change from financing cash flows	**(381)**	**954**	**274**	**19**	**(4)**	**-**	**71**	**(36)**	**(15)**	**882**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	2	-	-	(1)	-	**1**
Total effect of changes in foreign exchange rates	9	58	-	-	(2)	-	19	3	-	**87**
Other changes										
Liability related										
Interest expense	6	20	4	1	-	-	-	-	-	**31**
Interest paid	(8)	-	(4)	(1)	-	-	-	-	-	**(13)**
Lease liability	-	-	-	-	12	-	-	-	-	**12**
Liability from dividends not paid	-	-	-	-	-	-	-	-	5	**5**
Set-off with loans provided	-	-	-	-	-	-	-	(73)	-	**(73)**
Total liability-related other changes	**(2)**	**20**	**-**	**-**	**12**	**-**	**-**	**(73)**	**5**	**(38)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**91**	**515**	**18**	**624**
Balance at 31 December 2021	**76**	**1,462**	**377**	**43**	**20**	**905**	**(338)**	**1,556**	**77**	**4,178**

* *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.*

(1) Dividend paid does not include dividend paid to equity accounted investees in amount of EUR 6 million as it has no impact on the items presented in the table.

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**
Balance at 1 January 2020 (restated)[1]	**580**	**560**	**62**	**54**	**16**	**14**	**905**	**(452)**	**981**	**74**	**2,794**
Changes from financing cash flows											
Contribution to equity from shareholders	-	*(13)	-	-	-	-	-	8	-	-	**(5)**
Proceeds from loans and borrowings	6	76	76	12	-	-	-	-	-	-	**170**
Repayment of borrowings	(126)	(161)	(35)	(42)	(16)	-	-	-	-	-	**(380)**
Payment of lease liabilities	-	-	-	-	-	(5)	-	-	-	-	**(5)**
Dividend paid	-	-	-	-	-	-	-	-	(2)	(6)	**(8)**
Total change from financing cash flows	**(120)**	**(98)**	**41**	**(30)**	**(16)**	**(5)**	**-**	**8**	**(2)**	**(6)**	**(228)**
Changes arising from obtaining or losing of control of subsidiaries	(4)	-	-	-	-	2	-	-	1	-	**(1)**
Total effect of changes in foreign exchange rates	(12)	(26)	-	-	-	(1)	-	(12)	-	-	**(51)**
Other changes											
Liability related											
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	**6**	**(6)**	**-**	**-**	**-**	**2**	**-**	**-**	**(78)**	**(5)**	**(81)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(63)**	**246**	**6**	**189**
Balance at 31 December 2020 (restated)[1]	**450**	**430**	**103**	**24**	**-**	**12**	**905**	**(519)**	**1,148**	**69**	**2,622**

* *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.*

28. Provisions

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Onerous contracts**	**Provision for lawsuits and litigations**	**Provision for restoration and decommissioning[3]**	**Other**	**Total**
Balance at 1 January 2021	**311**	**355**	**77**	**44**	**947**	**47**	**1,781**
Acquisitions through business combinations[1]	43	-	-	-	56	3	**102**
Provisions made during the year	35	1,214	17	3	63	9	**1,341**
Provisions used during the year	(14)	(380)	(29)	(8)	(26)	(13)	**(470)**
Provisions reversed during the year	(28)	-	(1)	(13)	(27)	(7)	**(76)**
Actuarial gains/losses	(115)	-	-	-	-	-	**(115)**
Unwinding of discount[2]	1	-	-	-	4	-	**5**
Effects of movements in foreign exchange rate	1	11	6	-	3	9	**31**
Balance at 31 December 2021	**234**	**1,200**	**70**	**26**	**1,021**	**48**	**2,599**
Non-current	*219*	*28*	*48*	*22*	*930*	*31*	***1,278***
Current	*15*	*1,172*	*22*	*4*	*91*	*17*	***1,321***

(1) The purchase of EP Power Minerals Group and Kraftwerk Schkopau GbR

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

(3) As at 31 December 2021, the balance in amount of EUR 462 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and its subsidiaries. The balance in amount of EUR 191 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. The balance in amount of EUR 205 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 163 million represents other decommissioning provisions.

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

(1) The purchase of Humbly Grove Energy Limited.
(2) Disposal of Kernaman S.A.S.
(3) Unwinding of discount is included in interest expense.
(4) As at 31 December 2020, the balance in amount of EUR 436 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and 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.

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 234 million (2020: EUR 311 million) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, Helmstedter Revier GmbH, Gazel Energie Generation S.A.S., Kraftwerk Mehrum GmbH, EP Power Minerals GmbH, MINERALplus GmbH, Saale Energie GmbH, Eggborough Power Limited, EP Ballylumford Limited, EP Produzione Centrale Livorno Ferraris S.P.A., EP Produzione S.P.A. and Fiume Santo S.P.A.

i. Helmstedter Revier GmbH

The provision recorded by Helmstedter Revier GmbH amounts to EUR 31 million (2020: EUR 65 million), of which EUR 27 million (2020: EUR 30 million) represents a defined benefit pension scheme and EUR 4 million (2020: EUR 8 million) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

In millions of EUR	**2021**	**2020**
Plan A		
Fair value of plan asset	33	33
Present value of obligations	(60)	(63)
Total employee benefit	**(27)**	**(30)**
Early Retirement		
Present value of obligations	(4)	(8)
Total employee benefit	**(4)**	**(8)**

Movements in the present value of defined benefit obligations

In millions of EUR	**Plan A**	**Early retirement**	**Total**
Balance at 1 January 2021	**(63)**	**(8)**	**(71)**
Benefits paid by plan	1	4	**5**
Current service costs	(2)	-	**(2)**
Actuarial gains (losses) recognised in other comprehensive income	4	-	**4**
Balance at 31 December 2021	**(60)**	**(4)**	**(64)**

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

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

Movement in fair value of plan assets

In millions of EUR	**Plan A**	**Total**
Balance at 1 January 2021	**33**	**33**
Contributions to plan assets	-	-
Expected return on plan assets	-	-
Actuarial gains (losses) recognised in other comprehensive income	-	-
Balance at 31 December 2021	**33**	**33**

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

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

Expense recognised in profit and loss:

In millions of EUR	**2021**	**2020**
Current service costs	-	(1)
Current interest costs	-	-
Total	**-**	**(1)**

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

As at 31 December 2021

In %	**Plan A**	**Early Retirement**
Discount rate	0.84	0.29
Expected return on assets	0.00	0.00
Annual rate of increase in salaries	0.00	0.00
Post retirement pension increase	0.75	1.00
Mortality & disability	*(1)*	*(1)*

(1) Assumptions regarding future mortality are based on published statistics and mortality tables RT2018G.

As at 31 December 2020

In %	**Plan A**	**Plan B**	**Early Retirement**
Discount rate	0.50	0.50	(0.37)
Expected return on assets	0.00	0.00	0.00
Annual rate of increase in salaries	0.00	0.00	0.00
Post retirement pension increase	1.75	1.75	1.00
Mortality & disability	*(1)*	*(1)*	*(1)*

(1) Assumptions regarding future mortality are based on published statistics and mortality tables RT2018G.

ii. Gazel Energie Generation S.A.S.

The provision recorded by Gazel Energie Generation S.A.S. amounts to EUR 104 million (2020: EUR 185 million), of which EUR 104 million (2020: EUR 185 million) represents a defined benefit pension scheme.

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

In millions of EUR	**2021**	**2020**
Plan A		
Fair value of plan asset	-	-
Present value of obligations	(31)	(53)
Total employee benefit	**(31)**	**(53)**
Plan B		
Fair value of plan asset	-	-
Present value of obligations	(2)	(1)
Total employee benefit	**(2)**	**(1)**
Plan C		
Fair value of plan asset	-	-
Present value of obligations	(70)	(130)
Total employee benefit	**(70)**	**(130)**
Plan D		
Fair value of plan asset	-	-
Present value of obligations	**(1)**	(1)
Total employee benefit	**(1)**	**(1)**

Movement in the present value of defined benefit obligations

In millions of EUR	**Plan A**	**Plan B**	**Plan C**	**Plan D**	**Total**
Balance at 1 January 2021	**(53)**	**(1)**	**(130)**	**(1)**	**(185)**
Benefits paid by plan	2	-	1	-	**3**
Current service costs	14	(1)	(3)	-	**10**
Current interest costs	-	-	(1)	-	**(1)**
Actuarial gains (losses)	6	-	63	-	**69**
Balance at 31 December 2021	**(31)**	**(2)**	**(70)**	**(1)**	**(104)**

In millions of EUR	**Plan A**	**Plan B**	**Plan C**	**Plan D**	**Total**
Balance at 1 January 2020	**(53)**	**(5)**	**(122)**	**(2)**	**(182)**
Benefits paid by plan	3	-	-	-	**3**
Current service costs	(3)	3	2	-	**2**
Current interest costs	(1)	-	(1)	-	**(2)**
Actuarial gains (losses)	(4)	-	(17)	-	**(21)**
Disposal entities[(1)]	**5**	**1**	8	**1**	**15**
Balance at 31 December 2020	**(53)**	**(1)**	**(130)**	**(1)**	**(185)**

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

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

As at 31 December 2021

In %	**Plan A**	**Plan B**	**Plan C**	**Plan D**
Discount rate	1.19	0.75	1.20	1.00
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	1.50	2.50	0.00	2.50
Post retirement pension increase	2.00	0.00	0.00	0.00
Mortality & disability	*(1)*	*(1)*	*(1)*	*(1)*

(1) Assumptions regarding future mortality are based on published statistics and mortality tables TGH/TGH 05.

As at 31 December 2020

In %	**Plan A**	**Plan B**	**Plan C**	**Plan D**
Discount rate	0.80	0.50	0.80	0.75
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	1.50	2.50	0.00	2.50
Post retirement pension increase	2.00	0.00	0.00	0.00
Mortality & disability	*(1)*	*(1)*	***(1)***	***(1)***

(1) Assumptions regarding future mortality are based on published statistics and mortality tables TGH/TGH 05.

Provision for emission rights

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO2 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 26 million relates mainly to litigations and claims described in Note 38 – Litigations and claims (refer to note 37 – Litigations and claims for more details).

As disclosed in Note 37 – Litigations and claims, there are other legal proceedings in which the Group is involved and for which the possibility of an outflow of resources was assessed as remote as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2021 and 31 December 2020.

Provision for restoration and decommissioning

The provision of EUR 1,021 million (2020: EUR 947 million) was primarily recorded by JTSD – Braunkohlebergbau GmbH (EUR 391 million; 2020: EUR 361 million), Gazel Energie Generation S.A.S. (EUR 205 million; 2020: EUR 219 million), EP Produzione S.p.A. (EUR 108 million; 2020: EUR 112 million), Helmstedter Revier GmbH (EUR 71 million; 2020: EUR 75 million), Fiume Santo S.p.A. (EUR 83 million; 2020: EUR 82 million), Humbly Grove Energy Limited (EUR 32 million; 2020: EUR 28 million), MINERALplus GmbH (EUR 30 million) and others.

i. Germany (JTSD – Braunkohlebergbau GmbH and 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 2021, the provision for re-cultivation of both Schleenhain and Profen strip mines recorded by JTSD – Braunkohlebergbau GmbH is based on the recommendations of The German Commission on Growth, Structural change and Employment („coal commission“) from 26 January 2019 which proposes a gradual reduction and closure of all coal-fired power plants and subsequently strip mines in Germany by 2035.

Estimates are reviewed by an external expert/engineering office to ensure that mining provisions have been properly created. These external experts determine the value of all expense items listed above on the basis of usual market prices. In 2021, quantities and values were adjusted based on the latest information available. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate of 0.51% (2020: 0.13%) and a discount rate in range between 0.89% – 1.08% (2020: range between 0.65% - 0.82%) were used to calculate the provisions in case of JTSD – Braunkohlebergbau GmbH and annual inflation rate of 0.51% (2020: 0.13%) and a discount rate of 0.2% (2020: 0.07%) were used to calculate the provisions in case of Helmstedter Revier GmbH.

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR	**2021**	**2020**
	Profit (loss)	**Profit (loss)**
Increase of inflation rate by 1%	(79)	(80)
Decrease of inflation rate by 1%	65	65

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR	**2021**	**2020**
	Profit (loss)	**Profit (loss)**
Increase of discount rate by 1%	64	64
Decrease of discount rate by 1%	(69)	(54)

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

As at 31 December 2021, the provision recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. in total amount of EUR 191 million (2020: EUR 194 million) consists of the following items:

Asset retirement costs (ARO provision) in amount of EUR 164 million (EUR 97 million for EP Produzione S.p.A. and EUR 67 million for Fiume Santo S.p.A.; 2020: EUR 171 million, of which EUR 102 million for EP Produzione S.p.A. and EUR 69 million for Fiume Santo S.p.A.) represents a liability related to the eventual retirement of tangible assets. The long term provisions are calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for health and safety risk in amount of EUR 8 million (2020: EUR 7 million) recorded by EP Produzione S.p.A. that represents potential liabilities to personnel arising from exposure to asbestos fibres.

Provision for restoration of land totalling EUR 15 million (2020: EUR 16 million) in Lombardia (Tavazzano, Ostiglia plants) and Sardegna (Fiume Santo plant) region, where the power plants are located.

Provision for other risks, totalling EUR 4 million, that represents potential liabilities arising from regulatory rules for Fiume Santo plant.

Estimated costs are adjusted by expected future inflation (0.14% for 2021; 2020: 0.00%) and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate of 0.67% (2020: 0.65%).

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR	**2021**	**2020**
	Profit (loss)	**Profit (loss)**
Increase of inflation rate by 1%	(18)	(20)
Decrease of inflation rate by 1%	16	18

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR	**2021**	**2020**
	Profit (loss)	**Profit (loss)**
Increase of discount rate by 1%	16	18
Decrease of discount rate by 1%	(18)	(20)

iii. France

As at 31 December 2021, the provision recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. in total amount of EUR 164 million (2020: EUR 172 million) consists of the following items:

Provision for dismantling the windfarms and solar farms in France in amount of EUR 6 million (2020: EUR 6 million) represents a liability related to the eventual retirement of tangible assets. The provision is calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for dismantling the power plants of Gazel Energie Generation S.A.S. amounts EUR 156 million (2020: EUR 164 million) composed as follows:

Provision for dismantling four plants in the north of France (Emile Huchet power plants) EUR 71 million (2020: EUR 71 million); provision for dismantling four plants in the south of France (Provence power plants) EUR 45 million (2020: EUR 45 million); provision for dismantling closed power plants of Hornaing and Lucy EUR 33 million (2020: EUR 41 million) and provision for restoration of land totalling EUR 7 million (2020: EUR 7 million), mainly to clean up ashes.

Estimated costs are adjusted by expected future inflation (0.33% for 2021; 0.13% for 2020) and discounted using a discount rate in range between 0.20% - 1.22% (2020: 0.08% - 0.63%).

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR	**2021**	**2020**
	Profit (loss)	**Profit (loss)**
Increase of inflation rate by 1%	(14)	(17)
Decrease of inflation rate by 1%	10	15

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie

Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR	**2021**	**2020**
	Profit (loss)	**Profit (loss)**
Increase of discount rate by 1%	10	13
Decrease of discount rate by 1%	(12)	(15)

iv. *Other*

Other companies estimated the provision for decontamination and restoration and long-term asset retirement using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate.

Those sites have not been included in stress testing as the change in provisions due to a change in parameters would have insignificant impact on the Group's financial statements.

29. Deferred income

Balance of other deferred income in amount of EUR 13 million (2020: EUR 73 million) is mainly represented by Gazel Energie Generation S.A.S. of EUR 6 million (2020: EUR 24 million), Gazel Energie Solutions S.A.S. of EUR 6 million (2020: EUR 3 million) and in 2020 also by EP Commodities, a.s. of EUR 43 million.

The deferred income of Gazel Energie Generation S.A.S. is associated with capacity market payments, which will be recognised in P&L after the utilization of capacity in the following years. In 2020, other deferred income of EP Commodities, a.s. represents prepayments for gas to be delivered in 2021. This deferred income was released in 2021.

30. Financial instruments

Financial instruments and other financial assets

In millions of EUR	**31 December 2021**	**31 December 2020**
Assets carried at amortised cost		
Loans to other than credit institutions	630	658
of which loans provided by Company to sole shareholder	*617*	*610*
Other term deposits	13	8
Total	**643**	**666**
Assets carried at fair value		
Hedging: *of which*	418	27
Commodity derivatives cash flow hedge	*416*	*26*
Currency forwards cash flow hedge	*2*	-
Commodity derivatives fair value hedge	-	*1*
Risk management purpose: *of which*	4,031	398
Commodity derivatives reported as trading	*4,029*	*384*
Interest rate derivatives reported as trading	*2*	*14*
Equity instruments at fair value through OCI: *of which*	71	13
Shares and interim certificates at fair value through OCI	71	13
Total	**4,520**	**438**
Non-current	600	521
Current	4,563	583
Total	**5,163**	**1,104**

Financial instruments and other financial liabilities

In millions of EUR	**31 December 2021**	**31 December 2020**
Liabilities carried at fair value		
Hedging: *of which*	660	38
Currency forwards cash flow hedge	*-*	*19*
Commodity derivatives cash flow hedge	*660*	*14*
Interest rate swaps cash flow hedge	*-*	*5*
Risk management purpose: *of which*	4,878	489
Commodity derivatives reported as trading	*4,869*	*489*
Interest rate derivatives reported as trading	*8*	*-*
Currency forwards reported as trading	*1*	*-*
Total	**5,538**	**527**
Non-current	536	58
Current	5,002	469
Total	**5,538**	**527**

The weighted average interest rate on loans to other than credit institutions for 2021 was 2.18% (2020: 2.87%).

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

In millions of EUR	**31 December 2021 Nominal amount buy**	**31 December 2021 Nominal amount sell**	**31 December 2021 Positive fair value**	**31 December 2021 Negative fair value**
Hedging: *of which*	2,016	(2,362)	418	(660)
Currency forwards cash flow hedge	*746*	*(761)*	*2*	-
Commodity derivatives cash flow hedge	*1,222*	*(1,553)*	*416*	*(660)*
Interest rate swaps cash flow hedge	*48*	*(48)*	-	-
Risk management purpose: *of which*	9,272	(10,108)	4,031	(4,878)
Commodity derivatives reported as trading	*9,035*	*(9,871)*	*4,029*	*(4,869)*
Interest rate swaps reported as trading	*151*	*(151)*	*2*	*(8)*
Currency forwards reported as trading	*86*	*(86)*	-	*(1)*
Total	**11,288**	**(12,470)**	**4,449**	**(5,538)**

In millions of EUR	**31 December 2020 Nominal amount buy**	**31 December 2020 Nominal amount sell**	**31 December 2020 Positive fair value**	**31 December 2020 Negative fair value**
Hedging: *of which*	1,560	(1,574)	27	(38)
Currency forwards cash flow hedge	*891*	*(903)*	-	*(19)*
Commodity derivatives cash flow hedge	*417*	*(419)*	*26*	*(14)*
Commodity derivatives fair value hedge	*37*	*(37)*	*1*	-
Interest rate swaps cash flow hedge	*215*	*(215)*	-	*(5)*
Risk management purpose: *of which*	5,032	(5,137)	398	(489)
Commodity derivatives reported as trading	*4,880*	*(4,985)*	*384*	*(489)*
Interest rate swaps reported as trading	*146*	*(146)*	*14*	-
Currency forwards reported as trading	*6*	*(6)*	-	-
Total	**6,592**	**6,711**	**425**	**(527)**

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 34 – 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).

	2021			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	418	-	**418**
Currency forwards cash flow hedge	-	*2*		***2***
Commodity derivatives cash flow hedge	-	*416*	-	***416***
Risk management purpose: *of which*	-	4,031	-	**4,031**
Commodity derivatives reported as trading	-	*4,029*	-	***4,029***
Interest rate derivatives reported as trading	-	*2*	-	***2***
Equity instruments at fair value through OCI: *of which*	-	-	71	**71**
Shares and interim certificates at fair value through OCI	-	-	*71*	***71***
Total	**-**	**4,449**	**71**	**4,520**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	660	-	**660**
Commodity derivatives cash flow hedge	-	*660*	-	***660***
Risk management purpose: *of which*		4,878	-	**4,878**
Commodity derivatives reported as trading	-	*4,869*	-	***4,869***
Interest rate derivatives reported as trading	-	*8*	-	***8***
Currency forwards reported as trading	-	*1*	-	***1***
Total	**-**	**5,538**	**-**	**5,538**

	2020			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	27	-	**27**
Commodity derivatives cash flow hedge	-	*26*	-	***26***
Commodity derivatives fair value hedge	-	*1*	-	***1***
Risk management purpose: *of which*	-	398	-	**398**
Commodity derivatives reported as trading	-	*384*	-	***384***
Interest rate derivatives reported as trading	-	*14*	-	***14***
Equity instruments at fair value through OCI: *of which*	-	-	13	**13**
Shares and interim certificates at fair value through OCI	-	-	*13*	***13***
Total	**-**	**425**	**13**	**438**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	38	-	**38**
Currency forwards cash flow hedge	-	*19*	-	***19***
Commodity derivatives cash flow hedge	-	*14*	-	***14***
Interest rate swaps cash flow hedge	-	*5*	-	***5***
Risk management purpose: *of which*		489	-	**489**
Commodity derivatives reported as trading	-	*489*	-	***489***
Total	**-**	**527**	**-**	**527**

There were no transfers between fair value levels in either 2021 or 2020.

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

In millions of EUR	**Carrying value 31 December 2021**	**Fair value 31 December 2021**
Financial assets		
Loans to other than credit institutions	630	642
Other term deposits	13	13
Total	**643**	**655**

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

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(g) – Derivative financial instruments – Transactions with emission rights and energy) and are reported as off-balance sheet items, not derivatives. The management carefully assessed conditions of the contracts and concluded that all contracts are intended to be settled via physical delivery needed for consumption or physically delivered quantities shall be sold as part of its ordinary business, therefore the contracts are not reported as derivatives.

As at 31 December 2021, the EPPE Group is contractually obliged to purchase 8,254,000 pieces (2020: 8,917,000 pieces) of emission rights at an average price 60.82 EUR/piece (2020: 24.26 EUR/piece).

31. Trade payables and other liabilities

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Trade payables	480	541
Estimated payables	532	54
Accrued expenses	207	141
Other tax liabilities	135	82
Margin of stock exchange derivatives	416	41
Uninvoiced supplies	113	58
Advance payments received	22	1
Payroll liabilities	63	56
Liabilities to partners and associations	-	8
Retentions due to contractors	2	2
Other liabilities	38	105
Total	**2,008**	**1,089**
Non-current	11	73
Current	1,997	1,016
Total	**2,008**	**1,089**

(1) Restated 2020 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 1

Trade payables and other liabilities have not been secured as at 31 December 2021 or as at 31 December 2020.

As at 31 December 2021 and 31 December 2020, no liabilities to social and health insurance or tax authorities were overdue.

Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 34 – Risk management policies and disclosures.

32. Financial commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**31 December 2021**	**31 December 2020**
Commitments	863	539
Granted pledges – securities	522	381
Other granted pledges	1,490	1,126
Total	**2,875**	**2,046**

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 358 million is to be accrued by the special purpose vehicles by 2034 (Profen) and 2035 (Schleenhain). Subsequently, the accrued funds will be continuously reduced as the rehabilitation obligations are successively met. The agreement makes it possible to accrue the total amount over time (not as a lump sum) until 2034 and 2035 respectively.

The two special purpose vehicles were established in the previous year and, as contractually agreed, the scheduled initial endowment took place in 2021. Discussions on the adjustment of the precaution concepts against the background of shortened opencast mining periods in accordance with the requirements of the Kohleverstromungsbeendigungsgesetz ("KVBG") were initiated with the mining authorities in 2021 and are currently ongoing.

In case of Lynemouth Power Limited, approximately 75-88% of annual biomass consumption (average annual consumption representing 1.5 megatonnes) has been contracted under two "take or pay" schemes, with a certain flexibility. Both contracts are concluded until 31 December 2027.

Remaining commitments are represented by contracts for future purchase of emission rights.

Other granted pledges

In millions of EUR	**31 December 2021**	**31 December 2020**
Trade receivables	637	238
Property, plant and equipment	626	700
Cash and cash equivalents(1)	186	120
Inventories	41	57
Loans granted(2)	-	11
Total	**1,490**	**1,126**

(1) Pledged cash and cash equivalents include pledged restricted cash of EUR 16 million (2020: EUR 26 million).

(2) Pledged In 2020, total balance of pledged granted loans includes intercompany loans of EUR 11 million, which are eliminated in these consolidated financial statements.

Other granted pledges include net book value of property, plant and equipment, cash and cash equivalents, trade receivables, inventories and loans granted pledged mainly by EP SHB Limited, EP Langage Limited and Lynemouth Power Limited. Total value of assets pledged by each of these companies is limited by value of net assets. Pledged cash is readily available unless the respective entities are in the event of default.

Off balance sheet assets

In millions of EUR	**31 December 2021**	**31 December 2020**
Received promises	287	236
Other received guarantees and warranties	9	13
Total	**296**	**249**

Received promises

Received promises comprise the loan commitments received by the various companies within the Group in amount of EUR 287 million (2020: EUR 236 million).

Other received guarantees and warranties

Other received guarantees and warranties mainly consist of payment guarantees.

33. 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**
Balance at 1 January 2021	**8**	**2**	**10**
Depreciation charge for the year	(2)	(2)	(4)
Additions to right-of-use assets	9	3	12
Additions in business combinations	1	1	2
Disposals	(1)	(1)	(2)
Effect of movements in foreign exchange rate	(1)	1	-
Balance at 31 December 2021	**14**	**4**	**18**

In millions of EUR	**Land and building**	**Technical equipment, plant and machinery**	**Total**
Balance at 1 January 2020	**7**	**5**	**12**
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
Balance at 31 December 2020	**8**	**2**	**10**

Maturity analysis of lease liabilities

In millions of EUR	**31 December 2021**	**31 December 2020**
Undiscounted contractual cash flows by maturity		
Up to 3 months	-	1
3 months to 1 year	3	6
1–5 years	15	4
Over 5 years	2	1
Total undiscounted contractual cash flows	20	12
Carrying amount	20	12

Amounts recognized in profit or loss

In millions of EUR	**2021**	**2020**
Depreciation charge for the year	(4)	(5)
Expenses related to short-term leases	(2)	(1)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(3)	(5)

Amounts recognized in statement of cash flows

In millions of EUR	**2021**	**2020**
Total cash outflow for leases	(4)	(5)

(b) Leases as a lessor

Operating lease

During the year ended 31 December 2021, EUR 2 million (2020: EUR 2 million) was recognised as income in profit or loss in respect of operating leases.

34. 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(p) – 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 2021

In millions of EUR	**Corporate (non-financial institutions)**	**State, government**	**Financial institutions**	**Banks**	**Individuals**	**Other**	**Total**
Assets							
Cash and cash equivalents	-	-	-	1,741	-	-	**1,741**
Restricted cash	-	-	-	22	-	-	**22**
Trade receivables and other assets	3,153	375	1	21	21	-	**3,571**
Financial instruments and other financial assets	4,491	-	617	55	-	-	**5,163**
Total	**7,644**	**375**	**618**	**1,839**	**21**	**-**	**10,497**

As at 31 December 2020

In millions of EUR	**Corporate (non-financial institutions)**	**State, government**	**Financial institutions**	**Banks**	**Individuals**	**Other**	**Total**
Assets							
Cash and cash equivalents	-	-	-	568	-	-	**568**
Restricted cash	1	-	-	30	-	-	**31**
Trade receivables and other assets[(1)]	910	122	1	11	40	9	**1,093**
Financial instruments and other financial assets	1,088	-	-	16	-	-	**1,104**
Total – restated[(1)]	**1,999**	**122**	**1**	**625**	**40**	**9**	**2,796**

(1) Restated 2020 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 2021

In millions of EUR	**Czech Republic**	**Italy**	**Germany**	**United Kingdom**	**France**	**Ireland**	**Switzerland**	**Other**	**Total**
Assets									
Cash and cash equivalents	98	582	92	852	45	11	55	6	**1,741**
Restricted cash	-	-	2	20	-	-	-	-	**22**
Trade receivables and other assets	56	752	627	890	271	132	31	812	**3,571**
Financial instruments and other financial assets	1,028	56	723	650	2,344	-	95	267	**5,163**
Total	**1,182**	**1,390**	**1,444**	**2,412**	**2,660**	**143**	**181**	**1,085**	**10,497**

As at 31 December 2020

In millions of EUR	**Czech Republic**	**Italy**	**Germany**	**United Kingdom**	**France**	**Ireland**	**Switzerland**	**Other**	**Total**
Assets									
Cash and cash equivalents	10	320	67	95	63	5	7	1	**568**
Restricted cash	-	-	1	29	-	1	-	-	**31**
Trade receivables and other assets	71	277	229	214	166	23	34	79	**1,093**
Financial instruments and other financial assets	662	18	84	157	112	-	30	41	**1,104**
Total - restated[(1)]	**743**	**615**	**381**	**495**	**341**	**29**	**71**	**121**	**2,796**

(1) Restated 2020 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

As at 31 December 2021, location Other comprises mainly debtors located in Slovakia, Luxembourgh and Austria (2020: Slovakia, Denmark and Austria).

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 2021.

In millions of EUR	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
Balance at 1 January 2021	**(4)**	**-**	**(1)**	**-**	**(5)**
Impairment losses recognised during the year	(8)	-	(6)	-	**(14)**
Reversal of impairment losses during the year	1	-	1	-	**2**
Write-offs	2	-	-	-	**2**
Effect of movements in foreign exchange rate	(2)	-	-	-	**(2)**
Balance at 31 December 2021	**(11)**	**-**	**(6)**	**-**	**(17)**

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.

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

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2021 were as follows:

In millions of EUR	**Loans to other than credit institutions**	**Contract assets**	**Trade receivables and other assets**	**Total**
Restated balance at 1 January 2021	**-**	**-**	**(5)**	**(5)**
Impairment losses recognised during the year	-	-	(14)	**(14)**
Reversals of impairment losses recognised during the year	-	-	2	**2**
Write-offs	-	-	2	**2**
Effect of movements in foreign exchange rate	-	-	(2)	**(2)**
Balance at 31 December 2021	**-**	**-**	**(17)**	**(17)**

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	**Loans to other than credit institutions**	**Contract assets**	**Trade receivables and other assets**	**Total**
Restated balance at 1 January 2020	**-**	**-**	**(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**
Balance at 31 December 2020	**-**	**-**	**(5)**	**(5)**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was:

Credit risk – impairment of financial assets

As at 31 December 2021

In millions of EUR	**Loans to other than credit institutions**	**Other short-term deposits (intended for investing activities)**	**Trade receivables and other assets**	**Total**
Before maturity (net)	627	13	3,542	**4,182**
After maturity (net)	3	-	29	**32**
Total	**630**	**13**	**3,571**	**4,214**
A – Assets (gross)				
- before maturity	627	13	3,550	**4,190**
- after maturity <30 days	-	-	15	**15**
- after maturity 31–180 days	3	-	20	**23**
- after maturity 181–365 days	-	-	3	**3**
- after maturity >365 days	-	-	-	**-**
Total assets (gross)	**630**	**13**	**3,588**	**4,231**
B – Loss allowance for assets				
- before maturity	-	-	(8)	**(8)**
- after maturity <30 days	-	-	-	**-**
- after maturity 31–180 days	-	-	(7)	**(7)**
- after maturity 181–365 days	-	-	(2)	**(2)**
- after maturity >365 days	-	-	-	**-**
Total loss allowance	**-**	**-**	**(17)**	**(17)**
Total assets (net)	**630**	**13**	**3,571**	**4,214**

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[(1)]**	**Total**
Before maturity (net)	658	8	1,093	**1,759**
After maturity (net)	-	-	-	**-**
Total	**658**	**8**	**1,093**	**1,759**
A – Assets (gross)				
- before maturity	658	8	1,096	**1,762**
- after maturity <30 days	-	-	-	**-**
- after maturity 31–180 days	-	-	-	**-**
- after maturity 181–365 days	-	-	-	**-**
- after maturity >365 days	-	-	2	**2**
Total assets (gross)	**658**	**8**	**1,098**	**1,764**
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)**
Total loss allowance	**-**	**-**	**(5)**	**(5)**
Total assets (net)	**658**	**8**	**1,093**	**1,759**

(1) Restated 2020 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 2021.

The allowance for impairment in respect of financial assets is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting loss allowance would be negligible.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Various methods of managing liquidity risk are used by individual companies in the Group.

The Group's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

Typically, the Group ensures that it has sufficient cash on demand and assets within short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below provides an analysis of financial liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest required repayment date is shown. 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 2021

In millions of EUR	Carrying amount	Contractual cash flows[1]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	[2]**1,978**	2,015	67	1,661	285	2
Trade payables and other liabilities	[3]**1,741**	1,741	851	879	11	-
Financial instruments and financial liabilities	[4]**4,948**	4,948	586	3,827	530	5
Total	**8,667**	**8,704**	**1,504**	**6,367**	**826**	**7**
Net liquidity risk position[5]	**689**	**672**	**2,302**	**(1,440)**	**(188)**	**(2)**

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 287 million.
(3) Advances received in amount of EUR 267 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Margin payments paid in amount of EUR 416 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Margin payments represent already cash-effective changes resulting from derivative financial instruments.
(5) Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa. Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 1,078 million as these items will cause no future cash outflow and equity instruments in amount of EUR 63 million as these items are non-monetary assets.

As at 31 December 2020 - restated

In millions of EUR	Carrying amount	Contractual cash flows[1]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	[2]**1,019**	1,018	24	748	245	1
Trade payables and other liabilities	[3]**1,088**	1,087	718	296	29	44
Financial instruments and financial liabilities	[4]**504**	504	6	439	54	5
Total	**2,611**	**2,609**	**748**	**1,483**	**328**	**50**
Net liquidity risk position[5]	**89**	**192**	**687**	**(788)**	**208**	**85**

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 236 million.
(3) Advances received in amount of EUR 1 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Margin payments paid in amount of EUR 23 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Margin payments represent already cash-effective changes resulting from derivative financial instruments.
(5) Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa. Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 83 million as these items will cause no future cash outflow and equity instruments in amount of EUR 13 million as these items are non-monetary assets.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

(c) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities 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 2021 is as follows:

In millions of EUR	**Up to 1 year**	**1 year to 5 years**	**Over 5 years**	**Undefined maturity (or non-interest bearing)**	**Total**
Assets					
Cash and cash equivalents	1,741	-	-	-	**1,741**
Restricted cash	21	-	-	1	**22**
Trade receivables and other assets	21	13	-	3,537	**3,571**
Financial instruments and other financial assets[(1)]	550	81	3	4,529	**5,163**
Total	**2,333**	**94**	**3**	**8,067**	**10,497**
Liabilities					
Loans and borrowings[(2)]	1,769	186	-	23	**1,978**
Trade payables and other liabilities	28	-	-	1,980	**2,008**
Financial instruments and financial liabilities[(1)]	-	-	-	5,538	**5,538**
Total	**1,797**	**186**	**-**	**7,541**	**9,524**
Net interest rate risk position	**536**	**(92)**	**3**	**526**	**973**
Effect of interest rate swaps	**10**	**(3)**	**(7)**	**-**	**-**
Net interest rate risk position (incl. IRS)[(3)]	**546**	**(95)**	**(4)**	**526**	**973**

(1) Disregarding agreed interest rate swaps.
(2) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position mean that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 30 – Financial instruments.

Interest rate risk exposure as at 31 December 2020 (restated) is as follows:

In millions of EUR	**Up to 1 year**	**1 year to 5 years**	**Over 5 years**	**Undefined maturity (or non-interest bearing)**	**Total**
Assets					
Cash and cash equivalents	568	-	-	-	**568**
Restricted cash	30	-	-	1	**31**
Trade receivables and other assets	1	-	-	1,092	**1,093**
Financial instruments and other financial assets[1]	356	260	43	445	**1,104**
Total	**955**	**260**	**43**	**1,538**	**2,796**
Liabilities					
Loans and borrowings[2]	998	16	-	5	**1,019**
Trade payables and other liabilities	-	-	-	1,089	**1,089**
Financial instruments and financial liabilities[1]	7	-	-	520	**527**
Total	**1,005**	**16**	**-**	**1,614**	**2,635**
Net interest rate risk position	**(50)**	**244**	**43**	**(76)**	**161**
Effect of interest rate swaps	**19**	**(5)**	**(14)**	**-**	**-**
Net interest rate risk position (incl. IRS)[3]	**(31)**	**239**	**29**	**(76)**	**161**

(1) Disregarding agreed interest rate swaps.
(2) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position mean that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 30 – 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.

In millions of EUR	**2021 Profit (loss)**	**2021 Profit (loss)**	**2020 Profit (loss)**	**2020 Profit (loss)**
Interest rate	*EURIBOR*	*LIBOR*	*EURIBOR*	*LIBOR*
Decrease in interest rates by 1%	-	-	-	4
Increase in interest rates by 1%	3	-	3	(2)

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 that 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 2021, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR	**EUR**	**GBP**	**USD**	**Other**
Assets				
Cash and cash equivalents	102	2	60	2
Restricted cash	-	-	-	-
Trade receivables and other assets	2,224	9	108	8
Financial instruments and other financial assets	2,736	1,377	3	20
	5,062	**1,388**	**171**	**30**
Off-balance sheet assets				
Receivables from derivative operations	41	45	-	-
	41	**45**	**-**	**-**
Liabilities				
Loans and borrowings	452	1,362	86	21
Trade payables and other liabilities	1,611	114	40	6
Financial instruments and financial liabilities	3,048	68	8	-
	5,111	**1,544**	**134**	**27**
Off-balance sheet liabilities				
Payables related to derivative operations	-	87	-	-
	-	87	-	-
Net FX risk position	**(49)**	**(156)**	**37**	**3**
Effect of forward exchange contracts	**41**	**(42)**	**-**	**-**
Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)	**(8)**	**(198)**	**37**	**3**

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

As of 31 December 2020, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and

liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR	**EUR**	**GBP**	**USD**	**Other**
Assets				
Cash and cash equivalents	7	1	9	-
Restricted cash	-	-	-	-
Trade receivables and other assets	481	21	51	4
Financial instruments and other financial assets	667	380	9	18
	1,155	**402**	**69**	**22**
Off-balance sheet assets				
Receivables from derivative operations	-	-	6	-
	-	**-**	**6**	**-**
Liabilities				
Loans and borrowings	364	375	35	16
Trade payables and other liabilities	509	25	25	5
Financial instruments and financial liabilities	300	25	7	-
	1,173	**425**	**67**	**21**
Off-balance sheet liabilities				
Payables related to derivative operations	-	6	-	-
	-	6	-	-
Net FX risk position – restated[(1)]	**(18)**	**(23)**	**2**	**1**
Effect of forward exchange contracts	**-**	**(6)**	**6**	**-**
Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk) – restated[(1)]	**(18)**	**(29)**	**8**	**1**

(1) Restated 2020 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

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 30 – Financial instruments for more details).

The following significant exchange rates applied during the period:

	31 December 2021		**31 December 2020**	
CZK	**Average rate**	**Reporting date spot rate**	**Average rate**	**Reporting date spot rate**
EUR 1	25.645	24.860	26.444	26.245
GBP 1	29.829	29.585	29.734	29.19
USD 1	21.682	21.951	23.196	21.387

Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR 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.

Effect in millions of EUR	**2021 Profit (loss)**	**2020 Profit (loss)**
EUR (5% strengthening)	2	1
GBP (5% strengthening)	8	-

Effect in millions of EUR	**2021 Other comprehensive income**	**2020 Other comprehensive income**
EUR (5% strengthening)	(115)	(81)

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 41 million (2020: EUR 36 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. UK ETS set initial cap 5% below the UK's notional share of EU ETS for Phase IV. During first allocation period (2021-2025) the annual cap is to decline by 4.2mt per year.

The UK ETS trading scheme had initially set a price cap approximately at the current price level of European emission allowances until the actual trading commenced, which happened in the course of 2021. During 2021 UK ETS market participants continuously switched from use of EU ETS as proxy to UK ETS as liquidity on the market was developing.

Italy

The 2019 Energy and Climate National Package (so called "Piano Nazionale Integrato per l'Energia e il Clima"or "PNIEC"), which was approved and published in January 2020 by the Ministry of Economic Development of Italy, provides for the phase-out of coal-fired power generation by 2025 in the country, and requests such operators to find best available technologies of reference as a possible replacement. This decision impacts Fiume Santo hard coal power plant in Sardinia island, which operation is considered as technically critical to provide stability of power supply on the island in the absence of other generation sources. Currently, Fiume Santo is operated under a "must run" regime allowing full cost recovery by 2024.

EU Emission Trading System

Despite all the 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 CO2 emission allowances is driven by the EU ETS. EU ETS ended its Phase III last year, which began on 1 January 2013 and ended on 31 December 2020. Within the Phase IV (2021 – 2030), the overall number of emission allowances is to decline at an annual rate of 2.20 per cent from 2021 onwards. However, energy intensive sectors with a high risk of relocation outside of the EU are to be allocated free allowances until 2030 at 100 per cent.

However, in the Fit for 55' package proposed by European Commission targeting to reduce net greenhouse gas emissions by at least 55% by 2030. The EU ETS revision within the package includes a higher target for compliance covering 61% of emissions and a 4.2% linear decrease in the number of EUAs auctioned annually. Furthermore, the Carbon Border Adjustment Mechanism was proposed and should remove exemptions for Europe's manufacturing and aviation industries, which now receive 80% and 85% of their allowances for free. Continued market stability reserve (MSR) injections, a mechanism to curb oversupply, removed around 308 million EUAs from auctions between September 2020 and August 2021. It is scheduled to remove another 378 million allowances between September 2021 and August 2022.

Previously mentioned is further pushing demand for EUAs and so also the prices of EUA up. As such, situation from past years when allowance prices were below expectation is no longer true. If the increasing prices will not be reflected in power prices it might have a negative impact on the 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:

In millions of EUR	**31 December 2021**	**31 December 2020 restated[(1)]**
Loans and borrowings	1,978	1,019
Less: cash and cash equivalents	1,741	568
Net debt	**237**	**451**
Underlying EBITDA[(2)]	962	525
Net leverage	**0.2**	**0.9**

(1) Restated 2020 comparative information include modifications described in Note 3(a) – Restatement of comparative information and Appendix 2.

(2) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, profit (loss) from derivative financial instruments, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures and associates, depreciation of property, plant and equipment, amortisation of intangible assets and negative goodwill.

(3) It must be noted that Underlying EBITDA and Net leverage are not measures that are defined under IFRS. These measures are construed as determined by the Board of Directors and are presented to disclose additional information to measure the economic performance of the Group's business activities. These terms should not be used as a substitute to net income, revenues or operating cash flows or any other measure as derived in accordance with IFRS. These non-IFRS measures should not be used in isolation or as substitutes for analysis of our results as reported under IFRS. These measures may not be comparable to similarly titled measures used by other companies.

Underlying EBITDA reconciliation to the closest IFRS measure

For the year ended *In millions of EUR*	**2021**	**2020**
Underlying EBITDA	**962**	**525**
Depreciation and amortisation	(289)	(308)
Negative goodwill	-	9
Finance income	17	19
Finance expense	(55)	(59)
Gain (loss) from financial instruments	(9)	14
Share of profit (loss) of equity accounted investees, net of tax	(61)	67
Gain (loss) on disposal of subsidiaries	-	36
Income tax	(42)	(54)
Profit for the year	**523**	**250**

(h) Hedge accounting

Cash flow hedge

The balance as at 31 December 2021 represents primarily derivative agreements to hedge on a foreign exchange rate, electricity and gas price and derivative agreements to hedge emission rights price.

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 (2020: EUR 21 million (positive impact on profit or loss)).

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

In millions of EUR	**Currency forwards – cash flow hedge[1]**	**Equity accounted investees – cash flow hedge**	**Commodity derivatives – cash flow hedge**	**Interest rate swaps – cash flow hedge**	**Total**
Balance at 1 January 2021	**97**	**165**	**10**	**-**	**272**
Cash flow hedges reclassified to profit or loss	(21)	-	-	-	(21)
Deferred tax – cash flow hedges reclassified to profit or loss	2	-	-	-	2
Revaluation of cash flow hedges	22	-	(280)	1	(257)
Deferred tax – cash flow hedges revaluation	(9)	-	45	-	36
Changes of hedging reserves recognised by equity accounted investees	-	263	-	-	263
Balance at 31 December 2021	**91**	**428**	**(225)**	**1**	**295**

(1) As at 31 December 2021 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2021 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

In millions of EUR	**Currency forwards – cash flow hedge[1]**	**Equity accounted investees – cash flow hedge**	**Commodity derivatives – cash flow hedge**	**Total**
Balance at 1 January 2020	**119**	**196**	**-**	**315**
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)
Balance at 31 December 2020	**97**	**165**	**10**	**272**

(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.

Cash flow hedges – hedge of commodity price risk of gas

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales and purchases of gas. The hedging instruments are commodity swaps concluded with third parties to hedge selling price of gas in-kind sold and purchase price of gas purchased. The hedged items are proportions of expected cash outflows or inflows for commodities purchased or sold that are expected to occur and impact profit or loss in 2022 till 2023. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 37 million (2020: positive EUR 10 million).

Cash flow hedges – hedge of commodity price risk of emission allowances

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from purchase of emission allowances in UK and EU. The hedging instruments are commodity swaps concluded

with third parties to hedge purchase price of emission allowances needed to cover the production. The hedged items are proportions of expected cash outflows for emission allowances purchased that are expected to occur and impact profit or loss in 2022 till 2023. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 197 million (2020: EUR 0 million).

The following tables provide details of cash flow hedge commodity derivatives gas, power, emission allowances and coal for commodity price risk recorded by the Group as at 31 December 2021 and 2020:

In millions of EUR	**31 December 2021 Positive fair value**	**31 December 2021 Negative fair value**	**31 December 2021 Nominal amount hedged (buy)**	**31 December 2021 Nominal amount hedged (sell)**
Up to 3 months	28	53	77	84
3 months to 1 year	378	607	1,102	1,426
1–5 years	10	-	43	43
Over 5 years	-	-	-	-
Total	**416**	**660**	**1,222**	**1,553**

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	26	13	416	418
1–5 years	-	-	1	1
Over 5 years	-	-	-	-
Total	**26**	**13**	**417**	**419**

Cash flow hedges – hedge of foreign currency risk with financial derivatives

The Group applies hedge accounting for hedging instruments designed to hedge the foreign currency risk cash-flows from biomass purchases denominated in foreign currencies (USD and CAD). The hedging instruments are foreign currency forwards concluded with third parties. The hedged items are proportions of expected cash outflows in USD and CAD that are expected to occur and impact profit or loss in periods of 2022 to 2027. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in foreign currency cash flow hedge reserve of negative EUR 6 million (2020: negative EUR 22 million).

The following table provides details of cash flow hedge currency derivatives for foreign currency risk recorded by the Group as at 31 December 2021 and 2020:

In millions of EUR	**31 December 2021 Positive fair value**	**31 December 2021 Negative fair value**	**31 December 2021 Nominal amount hedged (buy)**	**31 December 2021 Nominal amount hedged (sell)**
Up to 3 months	-	-	16	25
3 months to 1 year	1	-	218	209
1–5 years	1	-	509	518
Over 5 years	-	-	3	9
Total	**2**	**-**	**746**	**761**

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
Total	**-**	**19**	**891**	**903**

Cash flow hedges – equity accounted investees

The joint venture LEAG Group applies hedge accounting for commodity hedging instruments designed to hedge cash-flows to purchase emission rights. The hedging instruments are commodity derivatives designed to hedge purchase price for future purchases of emission rights. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in a cash flow hedge reserve of positive EUR 263 million (2020: negative EUR 31 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.

35. Related parties

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

Balances with related parties

The summary of outstanding balances with related parties as at 31 December 2021 and 31 December 2020 was as follows:

In millions of EUR	**Accounts receivable and other financial assets 2021**	**Accounts payable and other financial liabilities 2021**	**Accounts receivable and other financial assets 2020**	**Accounts payable and other financial liabilities 2020**
Companies controlled by ultimate shareholders[(1)]	971	2,016	672	489
Associates and joint ventures	479	592	68	108
Other related parties	169	18	-	-
Total	**1,619**	**2,626**	**740**	**597**

(1) Daniel Křetínský represents the ultimate shareholder.

Transactions with related parties

The summary of transactions with related parties during the year ended 31 December 2021 and 31 December 2020 was as follows:

In millions of EUR	**Revenues 2021**	**Expenses 2021**	**Revenues 2020**	**Expenses 2020**
Companies controlled by ultimate shareholders[(1)]	878	(1,055)	219	(136)
Associates and joint ventures	934	(990)	416	(320)
Other related parties	176	(75)	-	-
Total	**1,988**	**(2,120)**	**635**	**(456)**

(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 27 for more details.

Transactions with the key management personnel

For the financial years ended 31 December 2021 and 2020 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, Saale Energie, Kraftwerk Mehrum GmbH, EP Kilroot Limited, EP Ballylumford Limited, EP France Group, Tynagh Energy Limited and EP Power Minerals Group.

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

In millions of EUR	**2021**	**2020**
Nr. of personnel	29	27
Compensation, fees and rewards	7	7
Compulsory social security contributions	1	1
Total	**8**	**8**

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.

36. Group entities

The list of the Group entities as at 31 December 2021 and 31 December 2020 is set out below:

		31 December 2021		31 December 2020 restated		2021	2020 restated
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Conso-lidation method	Conso-lidation 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[3]	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
ZG Sachsen Verwaltungs GmbH	Germany	100	Direct	-	-	At cost	-
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie PV Zschornewitz GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
EVA Verwaltungs GmbH	Germany	50	Direct	50	Direct	At cost	At cost
EVA Jänschwalde GmbH & Co. KG	Germany	50	Direct	50	Direct	Equity	Equity
Gaskraftwerk Leipheim GmbH & Co. KG	Germany	100	Direct	-	-	Equity	-
Gaskraftwerk Leipheim Verwaltungs GmbH	Germany	100	Direct	-	-	Equity	-
PV Böhlen GmbH & Co. KG	Germany	100	Direct	-	-	Equity	-
SERO LAUSITZ GmbH	Germany	100	Direct	-	-	At cost	-
MCR Engineering Lausitz GmbH	Germany	100	Direct	-	-	At cost	-
energy cubes GmbH	Germany	100	Direct	-	-	At cost	-
LandWerte Immobilien & Entwicklung GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
EP New Energies GmbH	Germany	20	Direct	20	Direct	Full	Full
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
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
EP New Energies GmbH	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[11]	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

	Country of incorporation	31 December 2021 Ownership %	31 December 2021 Ownership interest	31 December 2020 restated Ownership %	31 December 2020 restated Ownership interest	2021 Conso-lidation method	2020 restated Conso-lidation method
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Helmstedter Revier GmbH (Buschhaus)[11]	Germany	100	Direct	100	Direct	Full	Full
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH (NORGAM mbH)	Germany	51	Direct	51	Direct	Full	Full
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	At cost	At cost
MIBRAG Neue Energie GmbH [1]	Germany	50	Direct	-	-	Full	Full
Photovoltaikpark Peres I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MITAFF GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	At cost	At cost
MIBRAG Neue Energie GmbH [1]	Germany	50	Direct	-	-	Full	Full
Photovoltaikpark Peres I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MITAFF GmbH & Co. KG	Germany	100	Direct	-	-	At cost	-
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft II GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft III GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH (Zukunft IV GmbH)[2]	Germany	100	Direct	100	Direct	At cost	At cost
Groitzscher Wohnwelt GmbH (Zukunft V GmbH)[3]	Germany	100	Direct	100	Direct	At cost	At cost
MINCA GmbH (Zukunft VI GmbH)[4]	Germany	100	Direct	100	Direct	At cost	At cost
EP Germany GmbH[5]	Germany	-	-	100	Direct	-	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Schkopau GbR[6]	Germany	-	-	41.90	Direct	-	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH[7]	Germany	100	Direct	44.40	Direct	Full	Equity
EP Power Minerals GmbH (STEAG Power Minerals GmbH)	Germany	100	Direct	-	-	Full	-
MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH (MINERALplus GmbH)	Germany	100	Direct	-	-	Full	-
Felix Höltken GmbH	Germany	100	Direct	-	-	At cost	-
Minex GmbH	Germany	50	Direct	-	-	At cost	-
Euroment B.V.	Netherlands	50	Direct	-	-	At cost	-
EP ENERGO MINERAL Sp. Z o.o. (STEAG Energo Mineral Sp. Z o.o.)	Poland	50	Direct	-	-	At cost	-
EP Energo Mineral Deutschland GmbH (STEAG Energo Mineral Deutschland GmbH)	Germany	100	Direct	-	-	At cost	-
STEAG Energo Mineral CZ s.r.o.	Czech Republic	65	Direct	-	-	At cost	-
Power Minerals UK Holdings Ltd.	United Kingdom	100	Direct	-	-	At cost	-
Power Minerals Ltd.	United Kingdom	100	Direct	-	-	At cost	-
Powerment GmbH & Co. KG	Germany	50	Direct	-	-	At cost	-
Powerment Verwaltungs GmbH	Germany	100	Direct	-	-	At cost	-
Hawar Power Minerals W.L.L.	Quatar	49	Direct	-	-	At cost	-
STEAG Power Minerals Beteiligungsgesellschaft mbH	Germany	100	Direct	-	-	At cost	-
Power Minerals Iceland ehf.	Iceland	90	Direct	-	-	At cost	-
MINERALplus Stork GmbH & Co. KG	Germany	74	Direct	-	-	At cost	-
MINERALplus Stork Verwaltungs-GmbH	Germany	100	Direct	-	-	At cost	-
EP Power Minerals Asia Pte.Ltd. (STEAG Power Minerals Asia Pte.Ltd.)	Singapore	100	Direct	-	-	At cost	-
Hoang Son Fly Ash and Cement JSC	Vietnam	50	Direct	-	-	At cost	-

	Country of incorporation	31 December 2021 Ownership %	31 December 2021 Ownership interest	31 December 2020 restated Ownership %	31 December 2020 restated Ownership interest	2021 Conso-lidation method	2020 restated Conso-lidation method
EP CTA GmbH	Germany	100	Direct	-	-	At cost	-
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	100	Direct	Full	Full
Humbly Grove Energy Services Limited[1]	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Waste Management Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP NI Energy Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Eggborough Limited	United Kingdom	100	Direct	-	-	Full	-
EP Dublin Energy Limited	Ireland	100	Direct	-	-	At cost	-
RVA Group Limited[1]	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Consulting Engineers Limited[1]	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[1]	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Invest Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Belfast Power Holdings Limited	United Kingdom	100	Direct	-	-	At cost	-
Belfast Power Limited	United Kingdom	100	Direct	-	-	At cost	-
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Commodities Ukraine TOB	Ukraine	100	Direct	100	Direct	At cost	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
Ep Centrale Tavazzano Montanaso S.P.A. (EPP 1 S.r.l.)	Italy	100	Direct	-	-	At cost	-
EPP 2 S.r.l.	Italy	100	Direct	-	-	At cost	-
EPP 3 S.r.l.	Italy	100	Direct	-	-	At cost	-
Ergosud S.P.A.	Italy	50	Direct	50	Direct	Equity	Equity
EP New Energy Italia S.r.l.*	Italy	51	Direct	51	Direct	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	51	Direct	51	Direct	Direct	Direct
EP France Développement SAS	France	100	Direct	-	-	At cost	-
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	100	Direct	Full	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

		31 December 2021		31 December 2020 restated		2021	2020 restated
	Country of incorporation	**Ownership %**	**Ownership interest**	**Ownership %**	**Ownership interest**	**Conso-lidation method**	**Conso-lidation method**
Dynamo S.A.S.	France	100	Direct	100	Direct	At cost	At cost
EP France Management & Services S.A.S.	France	100	Direct	-	-	Full	-
EP Yuzivska B.V.	Netherlands	100	Direct	100	Direct	Full	Full
EP Ukraine B.V. (EP Sophievska B.V.)	Netherlands	90	Direct	90	Direct	Full	Full
EP Hungary s.r.o. (Arsikon s.r.o.)	Czech Republic	90	Direct	-	-	At cost	-
EP Resources AG	Switzerland	100	Direct	100	Direct	Full	Full
EP Resources DE GmbH(8)	Germany	-	-	100	Direct	-	At cost
EPR ASIA PTE. LTD.	Singapore	100	Direct	100	Direct	At cost	At cost
EP Resources CZ a.s.(9)	Czech Republic	100	Direct	100	Direct	Full	Full
EP Resources PL S.A.	Poland	100	Direct	100	Direct	Full	Full
EP Resources DE GmbH(8)	Germany	100	Direct	-	-	At cost	-
Boldore a.s.	Czech Republic	50	Direct	50	Direct	At cost	At cost
SLUGGERIA a.s.(10)	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 26 October 2021, Zukunft IV GmbH was renamed to Photovoltaikpark Peres II GmbH.

(3) On 26 October 2021, Zukunft V GmbH was renamed to Groitzscher Wohnwelt GmbH

(4) On 1 September 2021, Zukunft VI GmbH was renamed to MINCA GmbH.

(5) On 1 January 2021, EP Germany GmbH merged with JTSD - Braunkohlebergbau GmbH. JTSD - Braunkohlebergbau GmbH is the successor company.

(6) On 30 September 2021, 100% of Kraftwerk Schkopau GbR was merged with Saale Energie GmbH. Saale Energie GmbH is the successor company.

(7) On 30 September 2021, Saale Energie GmbH acquired additional 55.6% of shares of Kraftwerk Schkopau Betriebsgesellschaft mbH, which is now fully consolidated.

(8) On 22 April 2021, the shares of EP Resources DE GmbH were transferred to EP Resources CZ a.s. as part of an internal reorganization.

(9) On 8 January 2021, the shares of EP Resources CZ a.s. were transferred to EP Power Europe, a.s. as common control transaction.

(10) On 13 May 2021, SLUGGERIA a.s. was sold out of the Group.

(11) The German subsidiaries Helmstedter Revier GmbH, Büddenstedt, and GALA-MIBRAG-Service GmbH, Elsteraue, 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 2021 (HSR and GALA) and 2020 (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.

37. Litigations and claims

EP Produzione S.p.A., Fiume Santo S.p.A. and EP Produzione Livorno Ferraris S.p.A.

Over the last few months of 2018, EP Produzione S.p.A. ("EPP") and Fiume Santo S.p.A were subject to a tax audit carried out by the Revenue Agency for the 2015 and 2016 tax years. Assisted by their external consultants and having provided all the necessary clarifications in each of the competent offices, EPP was able to settle the findings, with limited financial impact, while Fiume Santo S.p.A. has not yet finalised the settlement for the year 2016 (as for 2015 a settlement agreement was signed on 2019). As at 31 December 2021, a corresponding provision is recorded in the consolidated financial statements.

Moreover, Revenue Agency started on May 2019 a tax audit on EP Produzione Livorno Ferraris S.p.A. for the 2016 tax year. Company provided information to the Revenue Agency and the claim was concluded with almost no financial impact in 2021.

Gazel Energie Generation S.A.S. („GEG")

Litigation on power trading invoices

Gazel Energie Generation S.A.S. is disputing certain invoices relating to power trading with a counterparty concerning 2019 operations. In 2021, GEG asked the counterparty to provide justification on the invoices received and not yet paid, however the evidence of the calculation was not provided for. In respect of the litigation, a corresponding provision has been booked as at 31 December 2021 even though GEG believes that the claim is not justified. Further negotiations to discuss claims between GEG and the counterparty are expected to take place in course of 2022.

Biomass suppliers' litigations

Due to the delay of the commissioning of Provence 4 Biomass, litigations occurred with some of the wood suppliers in relation to the contractual penalties. In case of the first supplier, the first instance judgement by the Court took place in 2021 with favourable outcome for GEG. The counterparty has appealed against the first-instance decision and the Court has asked both parties to start a mediation to settle the dispute. In case of the second supplier, GEG has appealed against the first-instance Court decision. The Court has asked both parties to start a mediation to settle the dispute, the acceptance of the mediation by the counterparty remains unsure. In respect of these two claims, a corresponding provision has been booked as at 31 December 2021.

38. Subsequent events

War in Ukraine

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

Based on available information and the most recent developments, the EPPE Group has been analysing the situation on an ongoing basis and assessing its impacts on the whole Group. From the Group's perspective, the current situation does not pose a significant risk on its operations. This is primarily driven by the fact that the Group's operations are largely diversified - both by nature of operation and location - and dependence on Russian gas is assumed rather low. In addition, a significant part of EPPE's results relates to provision of much needed balancing services supporting stability of the grid. This is further fuelled by presence in capacity markets in Italy and the UK. Besides these regulated services, EPPE is an active player in Western European power generation markets and in trading. Also, higher power spreads are largely to the Group's benefit due to mix of fuel used (predominantly gas which is price setter of power in most markets where the Group is present, biomass and domestic lignite).

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

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

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2021.

Appendices*:

Appendix 1 – Business combinations

Appendix 2 – 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	
4 May 2022	Mgr. Marek Spurný Vice-Chairman of the Board of Directors	Mgr. Pavel Horský 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 2021***

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of EP Power Minerals Group are provided in the following table.

In millions of EUR	**Carrying amount[(1)]**	**Fair value adjustment**	**2021 Total**
Property, plant, equipment, land, buildings	38	6	44
Intangible assets	2	-	2
Trade receivables and other assets	25	-	25
Financial instruments – assets	37	-	37
Inventories	12	-	12
Cash and cash equivalents	6	-	6
Deferred tax assets	12	(1)	11
Provisions	(84)	(3)	(87)
Deferred tax liabilities	(3)	-	(3)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(12)	-	(12)
Net identifiable assets and liabilities	**31**	**2**	**33**
Goodwill on acquisitions of a subsidiary			22
Cost of acquisition			**55**
Consideration paid, satisfied in cash (A)			55
Total consideration transferred			**55**
Less: Cash acquired (B)			6
Net cash inflow (outflow) (C) = (B – A)			**(49)**

(1) Represents values at 100% share.

In millions of EUR	**2021**
Revenue of the acquirees recognised since the acquisition date	70
Profit (loss) of the acquirees recognised since the acquisition date	4

In millions of EUR	**2021**
Revenue of the acquirees recognised in the year ended 31 December 2021*	110
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	6

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

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Kraftwerk Schkopau GbR are provided in the following table.

In millions of EUR	**Carrying amount[1]**	**Fair value adjustment**	**2021 Total[1]**
Property, plant, equipment, land, buildings	10	43	53
Trade receivables and other assets	154	(66)	88
Inventories	9	-	9
Cash and cash equivalents	13	-	13
Provisions	(15)	-	(15)
Deferred tax liabilities	-	(5)	(5)
Trade payables and other liabilities	(118)	66	(52)
Net identifiable assets and liabilities	**53**	**38**	**91**
Goodwill on acquisitions of a subsidiary			3
Cost of acquisition			**94**
Consideration paid, satisfied in cash (A)			21
Consideration, other[2]			73
Total consideration transferred			**94**
Less: Cash acquired (B)			13
Net cash inflow (outflow) (C) = (B – A)			**(8)**

(1) Represents values at 100% share.

(2) Consideration other represents fair value of the 41.9% of previously recognized share in Kraftwerk Schkopau of EUR 60 million and receivable of Saale Energie GmbH towards the seller arising from transfer of pension liabilities and related pension assets of EUR 13 million that was offset with the purchase price in acquisition of Kraftwerk Schkopau.

In millions of EUR	**2021**
Revenue of the acquirees recognised since the acquisition date	418
Profit (loss) of the acquirees recognised since the acquisition date	(30)

In millions of EUR	**2021**
Revenue of the acquirees recognised in the year ended 31 December 2021*	676
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	(24)

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

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

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

Consolidated statement of comprehensive income

For the year ended 31 December 2020

In millions of EUR ("MEUR")	31 December 2020 as published	Effect of acquisition under common control	31 December 2020 restated
Revenues: Energy	5,212	101	5,313
Gain (loss) from commodity derivatives for trading with electricity and gas, net	65	-	65
Total revenues	**5,277**	**101**	**5,378**
Purchases and consumables: Energy	(3,431)	(6)	(3,437)
Purchases and consumables: Other	(256)	(88)	(344)
Purchases and consumables	**(3,687)**	**(94)**	**(3,781)**
Subtotal	**1,590**	**7**	**1,597**
Personnel expenses	(364)	(2)	(366)
Depreciation and amortisation	(308)	-	(308)
Repairs and maintenance	(61)	-	(61)
Emission rights, net	(329)	-	(329)
Negative goodwill	9	-	9
Taxes and charges	(118)	-	(118)
Other operating income	76	6	82
Other operating expenses	(275)	(7)	(282)
Own work capitalized	3	-	3
Profit (loss) from operations	**223**	**4**	**227**
Finance income	19	-	19
Finance expense	(59)	-	(59)
Profit (loss) from financial instruments	15	(1)	14
Net finance income (expense)	**(25)**	**(1)**	**(26)**
Share of profit (loss) of equity accounted investees, net of tax	67	-	67
Gain/(loss) on disposal of subsidiaries, SPEs, JV and associates	36	-	36
Profit (loss) before income tax	**301**	**3**	**304**
Income tax expenses	(53)	(1)	(54)
Profit (loss) for the year	**248**	**2**	**250**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations	35	-	35
Foreign currency translation differences from presentation currency	(46)	(1)	(47)
Effective portion of changes in fair value of cash-flow hedges, net of tax	(43)	-	(43)
Fair value reserve included in other comprehensive income, net of tax	(19)	-	(19)
Other comprehensive income for the year, net of tax	**(73)**	**(1)**	**(74)**
Total comprehensive income for the year	**175**	**1**	**176**
Profit (loss) attributable to:			
Owners of the Company	242	2	244
Non-controlling interest	6	-	6
Profit (loss) for the year	**248**	**2**	**250**
Total comprehensive income attributable to:			
Owners of the Company	169	1	170
Non-controlling interest	6	-	6
Total comprehensive income for the year	**175**	**1**	**176**
Total basic and diluted earnings per share in EUR	**2,057**	**17**	**2,074**

As at 31 December 2020
In millions of EUR ("MEUR")

	1 January 2020 restated	31 December 2020 as published	Effect of acquisition under common control	31 December 2020 restated
Assets				
Property, plant and equipment	2,332	1,897	-	1,897
Intangible assets	187	165	-	165
Goodwill	41	41	-	41
Equity accounted investees	762	805	-	805
Financial instruments and other financial assets	469	526	(5)	521
Trade receivables and other assets	113	67	-	67
Deferred tax assets	68	60	-	60
Total non-current assets	**3,972**	**3,561**	**(5)**	**3,556**
Inventories	321	365	8	373
Extracted minerals and mineral products	6	6	-	6
Trade receivables and other assets	968	989	37	1,026
Financial instruments and other financial assets	431	578	5	583
Prepayments and other deferrals	20	33	-	33
Current income tax receivable	7	9	-	9
Restricted cash	42	31	-	31
Cash and cash equivalents	478	562	6	568
Total current assets	**2,273**	**2,573**	**56**	**2,629**
Total assets	**6,245**	**6,134**	**51**	**6,185**
Equity				
Share capital	905	905	-	905
Other reserves	(453)	(520)	1	(519)
Retained earnings	981	1,140	8	1,148
Total equity attributable to equity holders	**1,433**	**1,525**	**9**	**1,534**
Non-controlling interest	74	69	-	69
Total equity	**1,507**	**1,594**	**9**	**1,603**
Liabilities				
Loans and borrowings	313	233	14	247
Financial instruments and financial liabilities	43	58	-	58
Provisions	1,299	1,317	-	1,317
Deferred income	-	3	-	3
Deferred tax liabilities	90	61	-	61
Trade payables and other liabilities	102	73	-	73
Total non-current liabilities	**1,847**	**1,745**	**14**	**1,759**
Trade payables and other liabilities	964	992	24	1,016
Contract liabilities	120	-	-	-
Loans and borrowings	974	768	4	772
Financial instruments and financial liabilities	323	469	-	469
Provisions	502	464	-	464
Deferred income	1	70	-	70
Current income tax liability	7	32	-	32
Total current liabilities	**2,891**	**2,795**	**28**	**2,823**
Total liabilities	**4,738**	**4,540**	**42**	**4,582**
Total equity and liabilities	**6,245**	**6,134**	**51**	**6,185**

6. SINGLE AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder 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 2021, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EP Power Europe, a.s. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

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

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.

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 4 May 2022

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	Ladislav Šauer registration no. 2261

7. STATUTORY FINANCIAL STATEMENTS

BALANCE SHEET
full version

As of
31/12/2021
(in CZK thousand)

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

Pařížská 130/26
Josefov
110 00 Praha 1

		31/12/2021			31/12/2020
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	**72,478,142**	**1,255**	**72,476,887**	**51,494,456**
B.	**Fixed assets**	**35,767,415**	**1,255**	**35,766,160**	**33,643,110**
B.I.	***Intangible fixed assets***	**1,204**	**270**	**934**	**994**
B.I.2.	*Valuable rights*	**1,204**	**270**	**934**	**994**
B.I.2.2.	Other valuable rights	1,204	270	934	994
B.II.	***Tangible fixed assets***	**2,730**	**985**	**1,745**	**2,317**
B.II.2.	Tangible movable assets and sets of tangible movable assets	2,730	985	1,745	2,317
B.III.	***Non-current financial assets***	**35,763,481**		**35,763,481**	**33,639,799**
B.III.1.	Equity investments - controlled or controlling entity	34,223,867		34,223,867	32,096,378
B.III.3.	Equity investments in associates	1,539,614		1,539,614	1,543,421
C.	**Current assets**	**36,696,611**		**36,696,611**	**17,844,004**
C.I.	***Inventories***	**56,981**		**56,981**	**31,698**
C.I.2.	Work in progress and semifinished goods	56,981		56,981	31,698
C.II.	***Receivables***	**36,594,162**		**36,594,162**	**17,751,581**
C.II.1.	Long-term receivables	**5,706,751**		**5,706,751**	**6,819,761**
C.II.1.2.	Receivables - controlled or controlling entity	5,706,751		5,706,751	6,681,828
C.II.1.5.	*Receivables - other*				**137,933**
C.II.1.5.4.	Sundry receivables				137,933
C.II.2.	***Short-term receivables***	**30,887,411**		**30,887,411**	**10,931,820**
C.II.2.1.	Trade receivables	130,198		130,198	154,382
C.II.2.2.	Receivables - controlled or controlling entity	30,650,576		30,650,576	10,700,530
C.II.2.4.	*Receivables - other*	**106,637**		**106,637**	**76,908**
C.II.2.4.3.	State - tax receivables	66,879		66,879	67,631
C.II.2.4.4.	Short-term prepayments made	1,718		1,718	8,192
C.II.2.4.5.	Estimated receivables				39
C.II.2.4.6.	Sundry receivables	38,040		38,040	1,046
C.IV.	***Cash***	**45,468**		**45,468**	**60,725**
C.IV.1.	Cash on hand	21		21	17
C.IV.2.	Cash at bank	45,447		45,447	60,708
D.	**Other assets**	**14,116**		**14,116**	**7,342**
D.1.	Deferred expenses	213		213	158
D.3.	Accrued income	13,903		13,903	7,184

		31/12/2021	31/12/2020
	TOTAL LIABILITIES & EQUITY	**72,476,887**	**51,494,456**
A.	**Equity**	**34,520,814**	**32,430,387**
A.I.	***Share capital***	**23,526,200**	**23,526,200**
A.I.1.	Share capital	23,526,200	23,526,200
A.II.	***Share premium and capital funds***	**4,405,409**	**2,989,966**
A.II.2.	*Capital funds*	4,405,409	2,989,966
A.II.2.1.	Other capital funds	4,722,163	3,319,868
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-316,754	-329,902
A.IV.	***Retained earnings (+/-)***	**3,101,590**	**3,619,034**
A.IV.1.	Accumulated profits or accumulated loss brought forward (+/-)	3,028,935	3,546,379
A.IV.2.	Statutory and other funds	72,655	72,655
A.V.	***Profit or loss for the current period (+/-)***	**3,487,615**	**2,295,187**
B.+C.	**Liabilities**	**37,956,068**	**19,064,063**
B.	**Reserves**	**3,681**	**6,955**
B.4.	Other reserves	3,681	6,955
C.	**Payables**	**37,952,387**	**19,057,108**
C.I.	***Long-term payables***	**6,029,854**	**8,142,854**
C.I.6.	Payables - controlled or controlling entity	6,029,854	8,142,854
C.II.	***Short-term payables***	**31,922,533**	**10,914,254**
C.II.2.	Payables to credit institutions		2
C.II.4.	Trade payables	91,621	38,298
C.II.6.	Payables - controlled or controlling entity	31,771,487	10,818,227
C.II.8.	*Other payables*	59,425	57,727
C.II.8.3.	Payables to employees	7,970	6,633
C.II.8.4.	Social security and health insurance payables	1,903	1,641
C.II.8.6.	Estimated payables	49,463	49,432
C.II.8.7.	Sundry payables	89	21
D.	**Other liabilities**	**5**	**6**
D.1.	Accrued expenses	5	6

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Year ended
31/12/2021
(in CZK thousand)

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

Pařížská 130/26
Josefov
110 00 Praha 1

		Year ended 31/12/2021	Year ended 31/12/2020
I.	Sales of products and services	123,783	113,265
A.	Purchased consumables and services	148,542	146,170
A.2.	Consumed material and energy	1,073	1,076
A.3.	Services	147,469	145,094
B.	Change in internally produced inventory (+/-)	(30,308)	6,542
D.	Staff costs	196,661	177,995
D.1.	Payroll costs	164,480	148,606
D.2.	Social security and health insurance costs and other charges	32,181	29,389
D.2.1.	Social security and health insurance costs	32,146	29,365
D.2.2.	Other charges	35	24
E.	Adjustments to values in operating activities	632	389
E.1.	Adjustments to values of intangible and tangible fixed assets	632	389
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	632	389
III.	Other operating income	1,501	12,422
III.3.	Sundry operating income	1,501	12,422
F.	Other operating expenses	2,978	19,803
F.3.	Taxes and charges	359	31
F.4.	Reserves relating to operating activities and complex deferred expenses	(3,274)	3,394
F.5.	Sundry operating expenses	5,893	16,378
*	**Operating profit or loss (+/-)**	**(193,221)**	**(225,212)**
IV.	Income from non-current financial assets - equity investments	3,696,690	2,218,667
IV.1.	Income from equity investments - controlled or controlling entity	3,696,690	2,218,667
G.	Costs of equity investments sold	2,500	1,045
VI.	Interest income and similar income	364,691	481,022
VI.1.	Interest income and similar income - controlled or controlling entity	360,088	477,617
VI.2.	Other interest income and similar income	4,603	3,405
I.	Adjustments to values and reserves relating to financial activities		(355,574)
J.	Interest expenses and similar expenses	380,730	511,709
J.1.	Interest expenses and similar expenses - controlled or controlling entity	380,730	511,709
VII.	Other financial income	708,891	1,001,367
K.	Other financial expenses	704,616	1,032,547
*	**Financial profit or loss (+/-)**	**3,682,426**	**2,511,329**
**	**Profit or loss before tax (+/-)**	**3,489,205**	**2,286,117**
L.	Income tax	1,590	(9,070)
L.1.	Due income tax	1,590	(9,070)
**	**Profit or loss net of tax (+/-)**	**3,487,615**	**2,295,187**
***	**Profit or loss for the current period (+/-)**	**3,487,615**	**2,295,187**
*	Net turnover for the current period	4,895,556	3,826,743

STATEMENT OF CHANGES IN EQUITY

Year ended
31.12.2021
(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 gains brought forward	Other profit or loss from prior years	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2019	**23 526 200**	**-191 616**	**3 098 942**	**890 208**		**4 732 671**	**32 056 405**
Distribution of profit or loss				4 732 671		-4 732 671	
Profit shares declared				-2 003 845			-2 003 845
Additional equity contribution			220 926				220 926
Valuation differences on revaluation of assets and liabilities		-138 286					-138 286
Other profit or loss of prior years				-72 655	72 655		
Profit for the current period						2 295 187	2 295 187
Balance at 31 December 2020	**23 526 200**	**-329 902**	**3 319 868**	**3 546 379**	**72 655**	**2 295 187**	**32 430 387**
Distribution of profit or loss				2 295 187		-2 295 187	
Profit shares declared				-2 812 631			-2 812 631
Additional equity contribution			1 402 295				1 402 295
Valuation differences on revaluation of assets and liabilities		13 148					13 148
Profit for the current period						3 487 615	3 487 615
Balance at 31 December 2021	**23 526 200**	**-316 754**	**4 722 163**	**3 028 935**	**72 655**	**3 487 615**	**34 520 814**

CASH FLOW STATEMENT

Year ended
31/12/2021
(in CZK thousand)

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

Pařížská 130/26
Josefov
110 00 Praha 1

		Year ended 31/12/2021	Year ended 31/12/2020
P.	**Opening balance of cash and cash equivalents**	**60,725**	**191,102**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss from ordinary activities before tax	3,489,205	2,286,117
A.1.	Adjustments for non-cash transactions	(3,710,006)	(2,584,801)
A.1.1.	Depreciation of fixed assets	632	389
A.1.2.	Change in provisions and reserves	(3,274)	(352,180)
A.1.3.	Profit/(loss) on the sale of fixed assets	(2,500)	
A.1.4.	Revenues from profit shares	(3,694,190)	(2,218,667)
A.1.5.	Costs of the equity investment sale	2,500	1,045
A.1.6.	Interest expense and interest income	16,039	30,687
A.1.7.	Adjustments for other non-cash transactions	(29,213)	(46,075)
A.*	**Net operating cash flow before changes in working capital**	**(220,801)**	**(298,684)**
A.2.	Change in working capital	14,341	(68,913)
A.2.1.	Change in operating receivables and other assets	(9,442)	(9,425)
A.2.2.	Change in operating payables and other liabilities	49,066	(66,030)
A.2.3.	Change in inventories	(25,283)	6,542
A.**	**Net cash flow from operations before tax**	**(206,460)**	**(367,597)**
A.3.	Interest paid	(238,080)	(451,647)
A.4.	Interest received	51,706	335,449
A.5.	Income tax paid from ordinary operations	(4,185)	(8,481)
A.***	**Net operating cash flows**	**(397,019)**	**(492,276)**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	(1,952,267)	(13,578)
B.2.	Proceeds from fixed assets sold	2,500	
B.3.	Loans and borrowings to related parties	(22,007,844)	4,154,472
	Received profit shares	506,249	
B.***	**Net investment cash flows**	**(23,451,362)**	**4,140,894**
	Cash flow from financial activities		
C.1.	Change in payables from financing	23,377,509	(3,778,995)
C.2.	Impact of changes in equity	455,615	
C.2.3.	Other cash contributions made by partners	1,402,295	
C.2.6.	Profit shares paid	(946,680)	
C.***	**Net financial cash flows**	**23,833,124**	**(3,778,995)**
F.	**Net increase or decrease in cash and cash equivalents**	**(15,257)**	**(130,377)**
R.	**Closing balance of cash and cash equivalents**	**45,468**	**60,725**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

CONTENTS:

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%
Total	**100%**

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

	Position	Name
Board of Directors	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
Supervisory Board	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 2021 ("2021").

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 47 of Regulation No. 500/2002 Coll. Tangible fixed assets with an acquisition cost lower than CZK 80 thousand and intangible fixed assets with an acquisition cost lower than CZK 80 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 held to maturity falling due in more than one year.

Upon acquisition securities and equity investments are carried at cost. The cost of securities and equity investments 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 up to 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 realisable 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

The Company has changed the method of valuation of tangible and intangible fixed assets as of 1 January 2021. In the case of tangible fixed assets, the valuation limit was increased from CZK 40 thousand to CZK 80 thousand on an individual basis. In the case of intangible fixed assets, the valuation limit was increased from CZK 60 thousand to CZK 80 thousand on an individual basis. The current methodology is described in Note 2.1. This change did not have a significant impact on the financial statements in view of the low total balance of tangible and intangible fixed assets.

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 2021 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.

The impacts of the war in Ukraine are described in Note 6 – Significant Subsequent Events.

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)

	Balance as of 31/12/2021	**Balance as of 31/12/2020**
Cash on hand	21	17
Cash at bank	45,447	60,708
Total	**45,468**	**60,725**

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 1/1/2021 – 31/12/2021	Equity as of 31/12/2021	Value of equity investment as of 31/12/2021	Value of equity investmentt as of 31/12/2020
Equity investments – controlled entity					
EPPE Germany, a.s.*	100%	(1,315)	3,691,780	3,808,350	3,770,850
EP Commodities, a.s.*	100%	1,860,099	3,786,612	734,695	734,695
EP UK Investments Ltd*	100%	739,625	2,840,160	6,324,092	6,239,657
EP France S.A.S*	100%	146,425	8,957,257	72,657	72,657**
EP New Energy Italia S.r.l.*	51%	593,657	2,088,141	464,035	489,888
Biomasse Servizi S.r.l.*	51%	3,729	18,570	3,930	4,149
EP Produzione S.p.A.*	100%	3,055,916	8,247,678	20,495,968	20,500,192
EP Resources AG*	100%	151,418	406,247	240,660	242,980
EP Ukraine B.V.*	90%	(6,513)	15,712	23,716	1,417
EP Yuzivska B.V*.	100%	(35,426)	671	37,787	39,892
Belfast Power Holdings Limited***	100%	(2)	57,543	164,063	-
EP CTA GmbH *	100%	(2)	27	709	-
Boldore*	100%	(208)	1,303	2,090	-
EP France Développement	100%	0	0	12,430	-
EP Power Minerals GmbH*	100%	(203,429)	1,010,310	1,379,390	-
EP Resources CZ a.s.*	100%	33,754	249,329	366,000	-
EP Hungary s.r.o.****	90%	-	-	93,295	-
Total				**34,223,867**	**32,096,377**
Equity investments in associates					
Ergosud S.p.A.*	50%	(126,140)	3,405,820	1,539,614	1,542,376
Boldore a.s.*	-	-	-	-	1,045
Total				**1,539,614**	**1,543,421**

* 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
*** The information is valid as of 30 September 2021. The company has a different balance sheet date.
**** The company's reporting period ends 31 December 2022.

Registered offices of the companies as of 31 December 2021 are as follows:

Belfast Power Holdings	Tcb House, 9 - 11 Corporation Square, Belfast, County Antrim, Irsko
Biomasse Servizi S.r.l.	Via Vittorio Veneto 74, Roma, Itálie
Boldore a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, ČR
EP Commodities, a.s.	Klimentská 1216/46, Nové Město, 110 00 Praha 1, ČR
EP CTA GmbH	Theresienhöhe 30, 80339 München, Německo

EP France Développement S.A.S.	2 Rue Berthelot 92400 Courbevoie, Francie
EP France S.A.S.	2 Rue Berthelot 92400 Courbevoie, Francie
EP Hungary s.r.o.	Pařížská 130/26, Josefov, 110 00 Praha 1, ČR
EP New Energy Italia S.r.l.	Via Vittorio Veneto 74, Roma, Itálie
EP Power Minerals GmbH	Duisburger Strasse 170, 46535 Dinslaken, Německo
EP Produzione S.p.A.	Via Vittorio Veneto 74, Roma, Itálie
EP Resources AG	Lindenstrasse 14, CH-6340 Baar, Švýcarsko
EP Resources CZ a.s.	Českobratrská 3321/46, Moravská Ostrava, 702 00 Ostrava, ČR
EP UK Investments Ltd	Byron House, 7 – 9 St James's Street, Londýn, Velká Británie
EP Ukraine B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Nizozemsko
EP Yuzivska B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Nizozemsko
EPPE Germany, a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, ČR
Ergosud S.p.A.	Via Vittorio Veneto 74, Roma, Itálie

In 2021, the following changes in non-current financial assets were made:

On 8 January 2021, a 100% equity investment in EP Resources a.s. was acquired.

On 22 February 2021, an additional equity contribution of CZK 18,000 thousand increased the Company's equity investment in EPPE Germany, a.s.

On 5 March 2021, an additional equity contribution of EUR 450 thousand (CZK 11,837 thousand) increased the Company's equity investment in EP Ukraine B.V.

On 26 March 2021, a 100% equity investment in EP CTA GmbH was acquired.

On 21 April 2021, EP HoldCo a.s. was incorporated.

On 28 April 2021, an additional equity contribution of CZK 500 thousand increased the Company's equity investment in EP HoldCo, a.s.

On 29 April 2021, a 50% equity investment in Boldore a.s. was acquired.

On 29 April 2021, a 56% equity investment in EP HoldCo a.s. was sold.

On 3 May 2021, a 44% equity investment in EP HoldCo a.s. was sold.

On 21 May 2021, an additional equity contribution of CZK 500 thousand increased the Company's equity investment in EPPE Germany, a.s.

On 31 May 2021, a 100% equity investment in EP Power Minerals GmbH (formerly STEAG Power Minerals GmbH) was acquired.

On 12 July 2021, EP France Développement S.A.S. was incorporated.

On 30 July 2021, an additional equity contribution of EUR 450 thousand (CZK 11,475 thousand) increased the Company's equity investment in EP Ukraine B.V.

On 23 August 2021, an additional equity contribution of CZK 19,000 thousand increased the Company's equity investment in EPPE Germany, a.s.

On 5 November 2021, a 100% equity investment in Belfast Power Holdings Limited was acquired.

On 9 December 2021, a 90% equity investment in EP Hungary, a.s. was acquired.

On 22 December 2021, an additional equity contribution of CZK 93,274 thousand increased the Company's equity investment in EP Hungary s.r.o.

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 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest as of 31/12/2021
Energetický a průmyslový holding, a.s.	1,980,706	-*
EP UK Investments Ltd	3,638,955	82,111
EPPE Germany, a.s.	4,972	7
Total	**5,624,633**	**82,118**

* Outstanding interest is presented in Short-term receivables.

31 December 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest as of 31/12/2020
Energetický a průmyslový holding, a.s.	6,676,576	-*
EPPE Germany, a.s.	5,249	3
Total	**6,681,825**	**3**

* Outstanding interest is presented in Short-term receivables.

Sundry receivables

As of 31 December 2020, sundry receivables consisted mainly of receivables arising from a loan granted to an unrelated party in the amount of CZK 137,933 thousand (including outstanding interest of CZK 3,376 thousand). These were subsequently settled in 2021.

5.4. Short-term receivables

Trade receivables

As of 31 December 2021, trade receivables amount to CZK 130,198 thousand (as of 31 December 2020: CZK 154,382 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 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest as of 31/12/2021
Energetický a průmyslový holding, a.s.	-*	179
EP CTA GmbH	746	-
EP France S.A.S	2	4
EP UK Investments Ltd	30,604,123	39,592
Belfast Power Holdings Limited	5,930	-
Total	**30,610,801**	**39,775**

*Outstanding principal is presented in Long-term receivables

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
Total	**10,447,569**	**38,802**

*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.

State – tax receivables

As of 31 December 2021, this item principally includes a receivable arising from other direct taxes in the amount of CZK 57,202 thousand and a receivable arising from value added tax of CZK 9,677 thousand.

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.

Sundry receivables

As of 31 December 2021, sundry receivables principally include a receivable arising from a loan granted to an unrelated party in the amount of CZK 37,812 thousand (including outstanding interest in the amount of CZK 17 thousand) and other receivables from operating activities in the amount of CZK 228 thousand (31 December 2020: CZK 1,046 thousand)

5.5. Equity

As of 31 December 2021, 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 31 May 2021, the Company's shareholder provided EPPE a contribution to other capital funds in the amount of CZK 1,402,295 thousand, which was offset in cash.

The change in Gains or losses from the revaluation of assets and liabilities is due to foreign exchange differences arising from the translation of equity investments held in foreign currencies.

On 23 June 2021, the General Meeting of the Company decided to transfer the profit for the year 2020 to the retained earnings.

On 23 June and 29 December 2021, the sole shareholder of the Company decided on the payment of dividends of CZK 2,812,631 thousand, which were offset against the loan granted and the rest was offset in cash.

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 thousand were recognised in expenses instead of non-current financial assets.

No treasury shares were acquired during the 2021 reporting period.

5.6. Long-term payables

Payables – controlled or controlling entity

31 December 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest as of 31/12/2021
EP Produzione S.p.A.	1,945,620	-*
Energetický a průmyslový holding, a.s.	4,004,955	79,279
Total	**5,950,575**	**79,279**

* Outstanding interest is presented in Short-term payables.

31 December 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest as of 31/12/2020
EP Produzione S.p.A.	8,142,854	-*
Total	**8,142,854**	**-**

* Outstanding interest is presented in Short-term payables.

5.7. Short-term payables

Trade payables

Trade payables are in the total amount of CZK 91,621 thousand (31 December 2020: CZK 38,298 thousand). None of the trade payables has a maturity exceeding 5 years as of the balance sheet date.

Payables – controlled or controlling entity

31 December 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest as at 31/12/2021
Energetický a průmyslový holding, a.s.	31,682,657	38,784
EP Produzione S.p.A.	-	47,765*
Total	**31,682,657**	**86,549**

* Outstanding principal is presented in Long-term payables.

As of 31 December 2021, the Payables - Controlled or controlling entity also include a payable to EP Hungary s.r.o. arising from the outstanding balance of the offset for an additional equity contribution and the option sold in the amount of CZK 2,281 thousand.

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*
Total	**10,618,547**	**199,680**

* Outstanding principal is presented in Long-term payables

Estimated payables

As of 31 December 2021, estimated payables principally include unbilled expenses for guarantees amounting CZK 39,140 thousand (31 December 2020: CZK 45,487 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 increase 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 insurance and settlement of the VAT coefficient.

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 3,397,890 thousand (as of 31 December 2020: 2,003,463 thousand), EP New Energy Italia S.r.l. in the amount of CZK 296,300 thousand (as of 31 December 2020: CZK 214,159 thousand) and income from the sale of equity investments (refer to Note 5.1.) in the total amount of CZK 2,500 thousand (31 December 2020: 1,045 thousand).

Other financial expenses and other financial income mainly represent foreign exchange losses and foreign exchange gains, income and expenses from guarantees and options assigned.

5.9. Income tax

The current income tax estimate and overview of income tax prepayments as of 31 December 2021 and as of 31 December 2020 are shown below:

	Balance as of 31/12/2021	**Balance as of 31/12/2020**
Current income tax estimate	1,590	0
Current income tax prepayments	(9,204)	(5,019)
Corporate income tax overpaid 2019/2018	(3,760)	(3,760)
Income tax reserve (+) / State - tax receivables (-)	**(11,374)**	**(8,779)**

Expenses in the amount of CZK 1,590 thousand in 2021 represent the creation of an income tax provision.

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.

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)

	2021 Income	2021 Expenses	2020 Income	2020 Expenses
Interest income/expenses	95,731	256,528	301,021	171,821
Sales of services/purchased		59,810		387
consumables and services	54,604		60,412	
Other operating income/expenses	-	129	35	66,776
Other financial income/expenses	8,378	39,140	16,770	-
Total	**158,713**	**355,607**	**378,238**	**238,984**

5.11. Employees, executives and statutory bodies

The average number of the Company's employees in full time equivalent units during the reporting period was 47 (as of 31 December 2020: 37).

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 2021 and 2020.

5.12. Significant off-balance sheet transactions

The Company reports off balance sheet payable arising from guarantees provided to group companies totalling CZK 2,685,038 thousand (as of 31 December 2020: CZK 1,855,771 thousand) and a receivable totalling CZK 1,242,998 thousand (as of 31 December 2020: CZK 1,312,247 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. SIGNIFICANT SUBSEQUENT EVENTS

Acquisitions

On 14 February 2022, a 42% equity investment in Greeninvest Energy, a.s. was acquired. On 18 January 2022, a 100% equity investment in Industrial Park Opatovice s.r.o. was acquired.

War in Ukraine

In relation to the ongoing military invasion of Ukraine and the related sanctions against the Russian Federation, the Company has carried out risk identification and has adopted appropriate measures to reduce the impact on its business. Based on available information and current developments, the Company is continuously analysing the situation and assessing the invasion's direct impact on the Company and on its subsidiaries. The Company's management has considered the potential consequences of this situation on its operations and business and has concluded that they do not have a material impact on the financial statements for the year ended 31 December 2021 or on the going concern assumption in 2022. However, it cannot be excluded that further negative developments may occur in this situation, which may subsequently have a material adverse impact on the Company, its business, financial condition, results of operations, cash flows and prospects in general.

Prepared on: 4 May 2022

Pavel Horský
Vice-chairman of the Board of Directors

Marek Spurný
Vice-chairman of the Board of Directors