

# EPH 2020 Annual Report

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A photograph of an industrial facility, likely a refinery or chemical plant. In the foreground, a large, horizontal, silver-colored storage tank is visible. To its right, a series of pipes and smaller tanks extend into the distance. The background shows more industrial structures and a clear blue sky with some light clouds. The overall scene is bright and clear.

## Infrastructure/ Generation/ Logistics

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## **Energetický a průmyslový holding, a.s.**

Consolidated and Single Report for the Year Ended 31 December 2020

# Content

## Page

11	<b>General part</b>
13	Financial Highlights of the Year
17	Introduction by the Chairman of the Board of Directors
23	Combined Review of Operations
24	1.1 Market development
24	Macroeconomic developments
26	Energy developments
37	Political developments and global trends
41	1.2 Major events
41	Events in the reviewed fiscal year
43	Events that occurred after the reporting date
46	1.3 Business performance
46	Operational performance
49	Sustainability performance
56	ESG policies
61	Financial performance
66	1.4 Other Information
66	Description of the diversity policy applied to the statutory body, supervisory body or other similar body
66	Rights and obligations associated with shares
66	LEI code
66	Branches
67	Research and development activities
67	Acquisition of own shares or own ownership interests
67	Risks and risk management policies
67	Impact of Brexit
68	Sustainability report
68	Outlook for 2021
69	Management Statement
73	<b>Report on Relations</b>
82	Appendix to the Report on Relations
89	<b>Consolidated Audit Report</b>
95	<b>Consolidated Financial Statements for the year ended 31 December 2020</b>
98	Consolidated statement of comprehensive income
100	Consolidated statement of financial position
102	Consolidated statement of changes in equity

106	Consolidated statement of cash flows
108	Notes to the consolidated financial statements
108	1. Background
110	2. Basis of preparation
110	A Statement of compliance
110	B Basis of measurement
111	C COVID-19 related disclosures
112	D Functional and presentation currency
112	E Use of estimates and judgements
114	F Recently issued accounting standards
118	3. Significant Accounting Policies
118	A Restatement of comparative information
118	B Changes in accounting policies
119	C Basis of consolidation
121	D Foreign currency
122	E Non-derivative financial assets
124	F Non-derivative financial liabilities
124	G Derivative financial instruments
126	H Cash and cash equivalents
126	I Inventories
126	J Impairment
128	K Property, plant and equipment
130	L Intangible asset
132	M Investment property
132	N Provisions
134	O Leases
136	P Revenue
138	Q Government grants
138	R Finance income and costs
139	S Income taxes
139	T Dividends
139	U Non-current assets held for sale and disposal groups
140	V Segment reporting
140	4. Determination of fair values
140	A Property, plant and equipment
141	B Intangible assets
141	C Investment property
142	D Inventories
142	E Non-derivative financial assets
142	F Non-derivative financial liabilities

142	G	Derivatives
143	5.	Operating segments
164	6.	Acquisitions and disposals of subsidiaries, joint ventures and associates
164	A	Acquisitions and step acquisitions
167	B	Effect of acquisitions
170	C	Business combinations – acquisition accounting 2020 and 2019
172	D	Disposal of investments
175	7.	Sales
177	8.	Cost of sales
177	9.	Personnel expenses
178	10.	Emission rights
179	11.	Taxes and charges
179	12.	Other operating income
180	13.	Other operating expenses
172	14.	Finance income and expense, profit (loss) from financial instruments
183	15.	Income tax expenses
186	16.	Property, plant and equipment
189	17.	Intangible assets (including goodwill)
193	18.	Investment property
194	19.	Equity accounted investees
201	20.	Deferred tax assets and liabilities
204	21.	Inventories
205	22.	Trade receivables and other assets
206	23.	Cash and cash equivalents
206	24.	Restricted cash
207	25.	Assets and liabilities held for sale
208	26.	Equity
211	27.	Earnings per share
212	28.	Non-controlling interest
216	29.	Loans and borrowings
230	30.	Provisions
247	31.	Deferred income
248	32.	Financial instruments
255	33.	Trade payables and other liabilities
256	34.	Financial commitments and contingencies
259	35.	Leases
259	A	Leases as a lessee
261	B	Leases as a lessor
261	37.	Risk management policies and disclosures
262	A	Credit risk

269	B	Liquidity risk
270	C	Interest rate risk
273	D	Foreign exchange risk
277	E	Commodity risk
278	F	Regulatory risk
280	G	Concentration risk
281	H	Capital management
281	I	Hedge accounting
287	37.	Related parties
287	A	The summary of outstanding balances with related parties as at 31 December 2020 and 31 December 2019 was as follows
288	B	The summary of transactions with related parties during the year ended 31 December 2020 and 31 December 2019 was as follows
289	38.	Group entities
300	39.	Litigations and claims
302	40.	Subsequent events
302	A	Major acquisitions
302	B	Major disposals
302	C	Other subsequent events
306		Appendix 1 – Business combinations
312		Appendix 2 – Disposals of investments
316		Appendix 3 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position
316		Consolidated statement of comprehensive income
318		Consolidated statement of financial position
321		Single audit report
325		Single Financial Statements for the Year Ended 31 December 2020
327		Statutory Financial Statements Year ended 31 December 2019 and Notes to the Statutory Financial Statements
328		Balance Sheet
330		Profit and Loss Account
331		Statement of Changes in Equity
332		Cash Flow Statement
333		Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
333	1.	Incorporation and description of the Company
334	2.	Basis of accounting and general accounting policies applied by the Company
335	A	Tangible and intangible fixed assets
336	B	Non-current financial assets
336	C	Receivables

337	D	Derivatives
337	E	Loans received and granted
337	F	Foreign currency transactions
337	G	Recognition of expenses and revenues
337	H	Income tax
338	I	Consolidation
338	J	External financing costs
338	K	Dividends
339	3.	Change in accounting policies and procedures
339	4.	Other significant events – Impacts of COVID-19 on the financial statements
340	5.	Cash flow statement
341	6.	Non-current financial assets
343	7.	Long-term receivables
343	A	Receivables – controlled and controlling entity
344	B	Other receivables
345	8.	Short-term receivables
345	A	Trade receivables
345	B	Receivables – controlled and controlling entity
346	C	Receivables – associates
346	D	Receivables from partners
347	E	State – tax receivables
347	F	Other receivables
348	9.	Equity
348	10.	Provision for income taxes
349	11.	Long-term payables
349	A	Other bonds
349	B	Payables to credit institutions
350	C	Long-term bills of exchange to be paid
351	D	Payables – controlled or controlling entity
352	E	Other payables
352	12.	Short-term payables
352	A	Other bonds
353	B	Payables to credit institutions
353	C	Trade payables
354	D	Short-term bills of exchange to be paid
354	E	Payables – controlled or controlling entity
355	F	Payables to partners
355	G	Estimated payables
355	H	Other payables
356	13.	Revenues / Incomes and Expenses / Costs

357	14.	Related parties (except for balances presented above)
357	15.	Employees and executives
358	16.	Fees payable to statutory auditors
358	17.	Income tax
358	A	Current tax
358	18.	Significant off-balance sheet transactions
359	19.	Material subsequent event



## General part

# 8.5 billion

» In the turbulent year 2020, the total consolidated sales of EPH reached EUR 8.5 billion, remaining almost flat. When compared to 2019 EBITDA reached EUR 2.2 billion, increasing by approx. 5% as compared to the already very strong 2019.

### General part

Report on relations

Consolidated Audit Report

Consolidated Financial Statements for the year ended 31 December 2020

Single audit report

Single financial statement for the year ended 31 December 2020

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## Financial Highlights of the Year

		2020	2019	2018
<b>INCOME STATEMENT</b>				
Sales	€ million	8,531	8,572	7,072
Gross profit	€ million	3,636	3,362	2,728
Earnings before interest, taxes, depreciation and amortization (EBITDA) <sup>1</sup>	€ million	2,150	2,051	1,743
Earnings before interest and tax (EBIT)	€ million	1,376	1,396	1,190
Net financial result	€ million	(313)	(431)	(256)
Profit before tax	€ million	1,976	1,141	926
Profit for the year	€ million	1,656	803	630
<b>BALANCE SHEET</b>				
Balance sheet total	€ million	18,052	16,689	13,329
Equity total	€ million	5,387	3,962	3,137
Net working capital	€ million	577	522	463
Net financial debt <sup>2</sup>	€ million	4,361	5,261	5,020
<b>CASH FLOW STATEMENT</b>				
Cash flow from operating activities	€ million	2,047	1,896	1,492
Cash flow from investing activities	€ million	396	(652)	(543)
Cash flow from financing activities	€ million	(1,932)	(1,004)	(776)
Change in cash and cash equivalents	€ million	511	240	183
Cash and cash equivalents	€ million	1,753	1,246	1,006
Capital expenditures (CAPEX)	€ million	391	364	379
Tax paid	€ million	438	248	361

		2020	2019	2018
<b>RATIOS</b>				
EBITDA margin <sup>3</sup>	%	25.20%	23.93%	24.65%
Leverage <sup>4</sup>	X	2.0x	2.6x	2.9x
Cash conversion <sup>5</sup>	%	61.44%	70.16%	57.54%
<b>Operating KPIs</b>				
Average number of employees	#	11,281	11,454	10,711
Net installed capacity	MW	11,593	13,302	11,572
Net power production	TWh	38.1	33.4	28.2
Emissions intensity	t CO <sub>2</sub> /GWh	458	465	532

1

EBITDA has been prepared in accordance with the definition set out in the note 5 to the Consolidated financial statements.

2

Net financial debt = Loans and borrowings + Issued bills of exchange – Cash and cash equivalents

3

EBITDA margin = EBITDA / Sales

4

Leverage = Net financial debt / EBITDA. Net financial debt used for calculation of Leverage in 2018 is impacted by the major investment project Lynemouth, whereas the 2018 EBITDA does not yet fully capture earnings associated with these business activities.

5

Cash conversion = (EBITDA – CAPEX – Tax paid) / EBITDA



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## Introduction by the Chairman of the Board of Directors

- » **Vast majority (81%) of net power produced in 2020 by the whole EPH Group was from zero or low carbon-intensive sources, and this figure is set to grow over the next years. Following massive investments into new technologies, the key emission intensity factor (measured as CO<sub>2</sub> tons emitted for every GWh of energy produced) decreased by enormous 42.5%.**

Daniel Křetínský Chairman of the Board of Directors

## Dear Stakeholders,

it is my great pleasure to introduce you the 2020 Annual report of Energetický a průmyslový holding, a.s. (“EPH”). Amid the unprecedented challenges of the previous year, our key focus was to ensure the stability and reliability of critical infrastructure for European countries, businesses, and individual customers, without compromising the safety and well-being of our employees. I am glad, I can responsibly state we have delivered on this mission. At the same time, I am proud to say that we continued our robust operational and financial performance, supported by full integration of the acquisitions realized in 2019.

In the turbulent year 2020, the total consolidated sales of EPH reached EUR 8.5 billion, remaining almost flat. When compared to 2019 EBITDA reached EUR 2.2 billion, increasing by approx. 5% as compared to the already very strong 2019. The cash flows generated from operating activities amounted to EUR 2.0 billion, approx. EUR 150 million more than in 2019. Considering the high EBITDA-to-cashflow conversion, significant and still increasing share of long-term contracted and regulated assets and the benefits from disposals realized within the EPH Group during 2020, the ratio of the consolidated net debt to EBITDA decreased to 2.0× (from 2.6× in 2019), representing an extremely conservative leverage level when compared to our peers.

The EPH Group has been progressing towards being ranked as one of the most important power producers in the EU. We continue to deliver on our strategy of steady carbon footprint reduction, while providing flexible generation capacity and full security of energy supply. Vast majority (81%) of net power produced in 2020 by the whole EPH Group was from zero or low carbon-intensive sources, and this figure is set to grow over the next years. The carbon emission intensity of our generation has decreased significantly over the last 6 years. Following massive investments into new technologies, the key emission intensity factor (measured as CO<sub>2</sub> tons emitted for every GWh of energy produced) decreased by enormous 42.5%.

Both our key pillars, EP Infrastructure (“EPIF”) and EP Power Europe (“EPPE”), contributed to these exceptional results.

### EP INFRASTRUCTURE

EPIF’s activities remained concentrated on the transmission, distribution and storage of natural gas, the distribution of electricity and the heat infrastructure industry. In 2020, EPIF re-confirmed its role of a major infrastructure player in the CEE region by delivering reliable, high quality service to its customers at attractive prices.

The EPIF Group subsidiaries operate a transit gas pipeline, the most robust corridor for gas supplies to Western, Central and Southern Europe, and act as the major distributors of natural gas and power in Slovakia. The EPIF Group also operates the largest gas storage capacities in Central Europe, with additional storage facilities in Germany, and is a significant heat distribution network operator and heat producer in the Czech Republic.

Following the delivery of exceptional results in 2019 driven by front-loading of volumes from 2020, the gas transmission segment reported strong performance also in 2020, transporting 57 billion cubic metres of natural gas over the course of the year.

The 2020 operational result of the gas and power distribution segment was in line with our forecast, providing clear evidence of its stability and extraordinary resilience. In 2020, SPP Distribúcia, the Slovak regulated natural monopoly, distributed almost 54 TWh of natural gas, which is a 3.5% increase year-on-year. Stredoslovenská Distribučná, the electricity distributor in central Slovakia, distributed almost 5.9 TWh of electric power in 2020, which is 4.8% below the last year’s volume reflecting the slowdown of economic activity of major industrial customers due to the pandemic. Nevertheless, financial performance of the electricity distribution remained stable – we are exposed to volume risk almost only vis-à-vis household customers, whose consumption remained on average at the level of previous years.

The heat infra segment was affected by mild winter in the beginning of 2020. Despite lower heat offtakes coupled with pressure on electricity spreads, the performance of the heat infra segment remained robust. In 2020, EPIF supplied more than 19 PJ of heat to residential, institutional, and commercial customers and produced more than 3.3 TWh of net electric power. In the last quarter of 2020, the EPIF Group disposed of two entities in this segment – Pražská teplotárenská a.s., a major heat distributor in Prague, and Budapesti Erőmű Zrt., a key producer of heat in Budapest.

The companies operating in the gas storage segment significantly benefited from the rising storage price in the region. Price increase was mainly driven by the unusually high level of stocks of the European gas storage facilities after the warm winter in 2019/2020, bringing a positive financial impact of milder winter in our portfolio and hence compensating for the negative effect of it for the heat infra segment. We continue to keep leading position in Central Europe region with overall storage capacity of more than 62 TWh.

## EP POWER EUROPE

EPPE Group also had a very successful year. Despite the overall challenging situation, EPPE satisfied the energy needs of the communities and industries in all countries where it operates by delivering reliable and affordable electricity in a flexible manner. EPPE operates growing portfolio of renewable assets (mainly biomass, wind and solar) that are benefiting from different schemes securing stable performance, as well as assets that are essential for local power grids (based on must-run regimes, capacity contracts and similar schemes). For the merchant part of our fleet, it was the high flexibility of our generation capacities and their strategic location which allowed us to achieve strong financial results despite strong downwards pressure of electricity prices.

At EPPE, the key mission is to lower our carbon footprint while maintaining the much-needed capacity and reliability of supply for our customers. For example, in Tavazzano, Italy, we have started to construct a brand new highly efficient gas-fired power station (app. 790MW) which will benefit from a 15-year capacity contract once going online in 2023. In Kilroot, Northern Ireland, we have secured 10-year capacity contracts supporting grid stability. To honour the contracts, we plan to build two modern gas units (app. 700 MW, operational in 2023) while decommissioning the existing hard coal and oil assets (513 MW). In Gardanne, France, we expect to bring online a biomass power plant (150 MW) in 2021. Once operational, the Gardanne biomass plant will be a further tribute to our strategy of providing security of supply from renewable sources.

To further decrease our carbon footprint, we work on multiple projects to shut down traditional coal fired power plants (French coal fired powerplants with total installed capacity 1190 MW and two German coal fired power plants with installed capacity of 757 MW). These actions, along with the initiatives already realized by EPH since 2015, will result in aggregate reduction of annual CO<sub>2</sub> emissions by a total of 25 million tons.

At the existing assets, we focus on further optimization, efficiency increase and minimizing environmental impact. In Lynemouth, UK, where we have operated our biomass power station (407 MW) since 2019, we have reached a particularly pleasing gross efficiency close to 40% which represents a market-leading efficiency level for a comparable technology. Similar campaigns have been progressing at other plants we operate.

The total installed power generation capacity of EPPE Group reached 10.6 GW in 2020. As a result of our investment programme and diligent operations, we are proud to say that 84% of net power produced in 2020 by the EPPE Group was from zero or low carbon-intensive sources.

As you can see from the above, financial performance is by far not the only driving factor behind our business. We carefully consider the environmental, social, and economic aspects relevant to our operations and do our utmost to maintain a balanced approach to our decision making, reflecting the needs of the countries, regions, and communities we operate in.

The business model of EPH, EPIF and EPPE has proven its resilience in 2020, and we look with confidence at the challenges which the current year will bring. I would like to thank all our employees, investors, and partners for their contribution to the success of our mission.

Sincerely,



Daniel Křetínský  
Chairman of the Board of Directors

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## Combined Review of Operations

# 1 Combined Review of Operations

## 1.1 Market development

### MACROECONOMIC DEVELOPMENTS

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

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

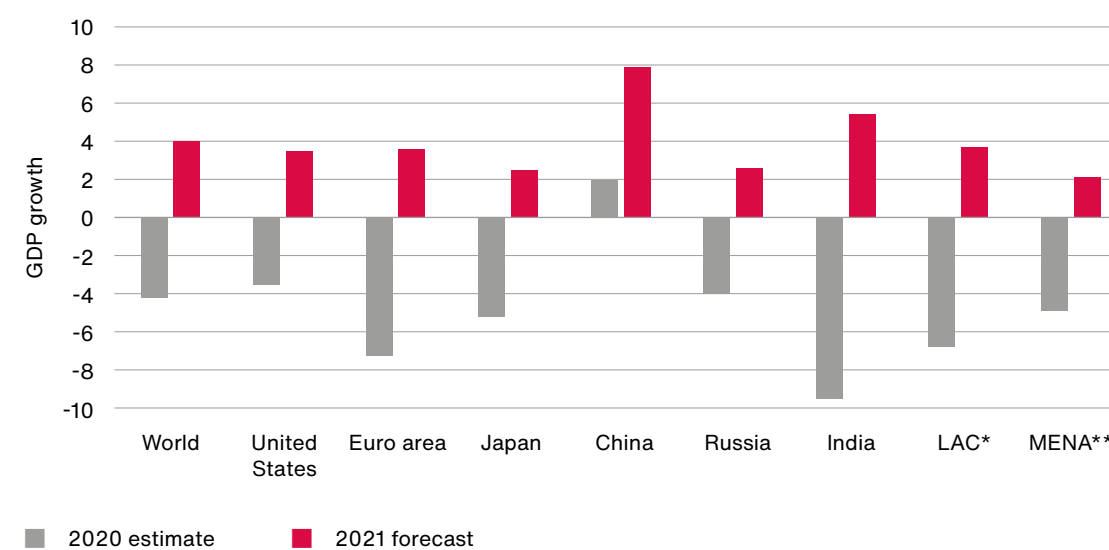


Figure 1: World Bank estimates on global yearly GDP growth

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

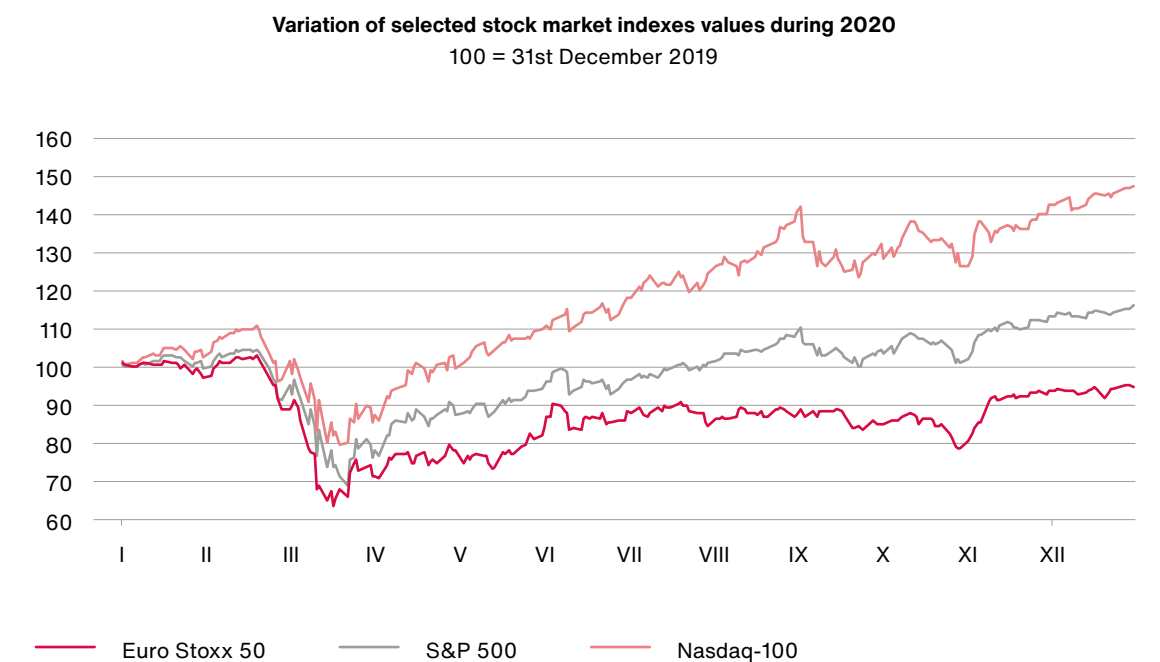


Figure 2: Variation of selected stock

ENERGY DEVELOPMENTS

ELECTRICITY CONSUMPTION

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

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

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

CONVENTIONAL ELECTRICITY PRODUCTION

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

Hard coal and lignite-fired power plants produced annually 22% (-48 TWh) and 18% (-44 TWh) less electricity than in 2019, respectively (Figure 4). Absolute coal generation fell most notably in Germany (-37 TWh), Poland (-9 TWh) and the Netherlands (-8 TWh), while decreasing also in almost every other country utilizing coal. Only about a half of the coal collapse is attributable to additions in wind and solar generation while a half is due to the drop in the power demand. Should the 2021 demand recover, wind and solar would need to rise faster to sustain the recent

fall in coal. In order to meet the EU's 55% emissions reduction target, coal would need to be almost eliminated from the power mix by 2030, according to the European Commission's impact assessment.

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

Nuclear power generation dropped by a record 10% (-86 TWh) in 2020. The decrease was led by France (-44 TWh) suffering numerous EDF outages (Figure 5), followed by Sweden (-17 TWh) and Germany (-11 TWh) with permanent closures of some units at the end of 2019. The downfall of nuclear generation accelerates along with the phase-out plans in some countries: Germany (2022), Belgium (2025), Spain (2030) and France (reduction to 50% of the electricity mix by 2035).

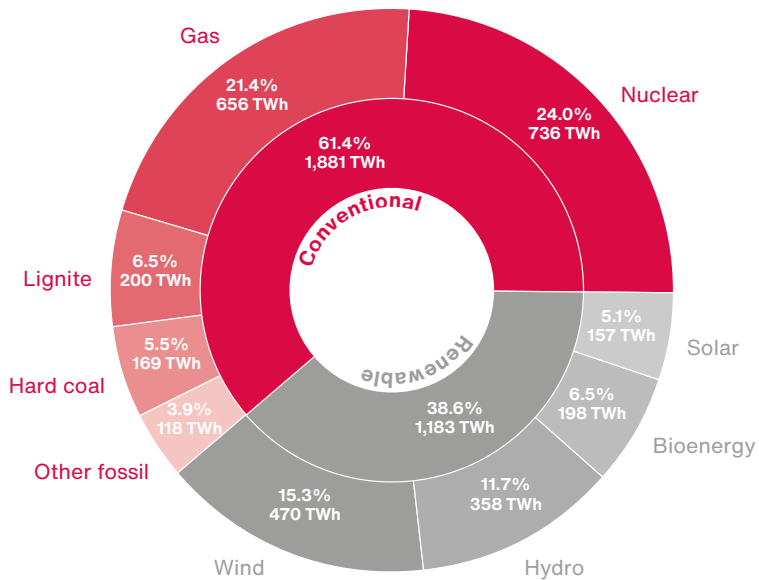


Figure 3: Shares of individual means of power generation in the electricity mix of the EU & UK. Source: Agora Energiewende

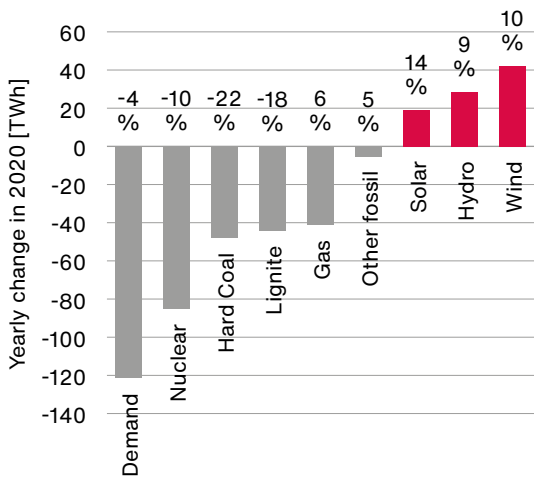


Figure 4: Annual change in the European electricity demand and generation per production type. Source: Agora Energiewende.

RENEWABLE ELECTRICITY PRODUCTION

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

Wind power output increased by 42 TWh, led by UK (+9 TWh), Germany (+9 TWh) and Sweden (+7 TWh). Solar power generation recorded biggest yearly growth since 2012 by 19 TWh. As in the previous years, most of the increase is thanks to only few countries (Figure 5):

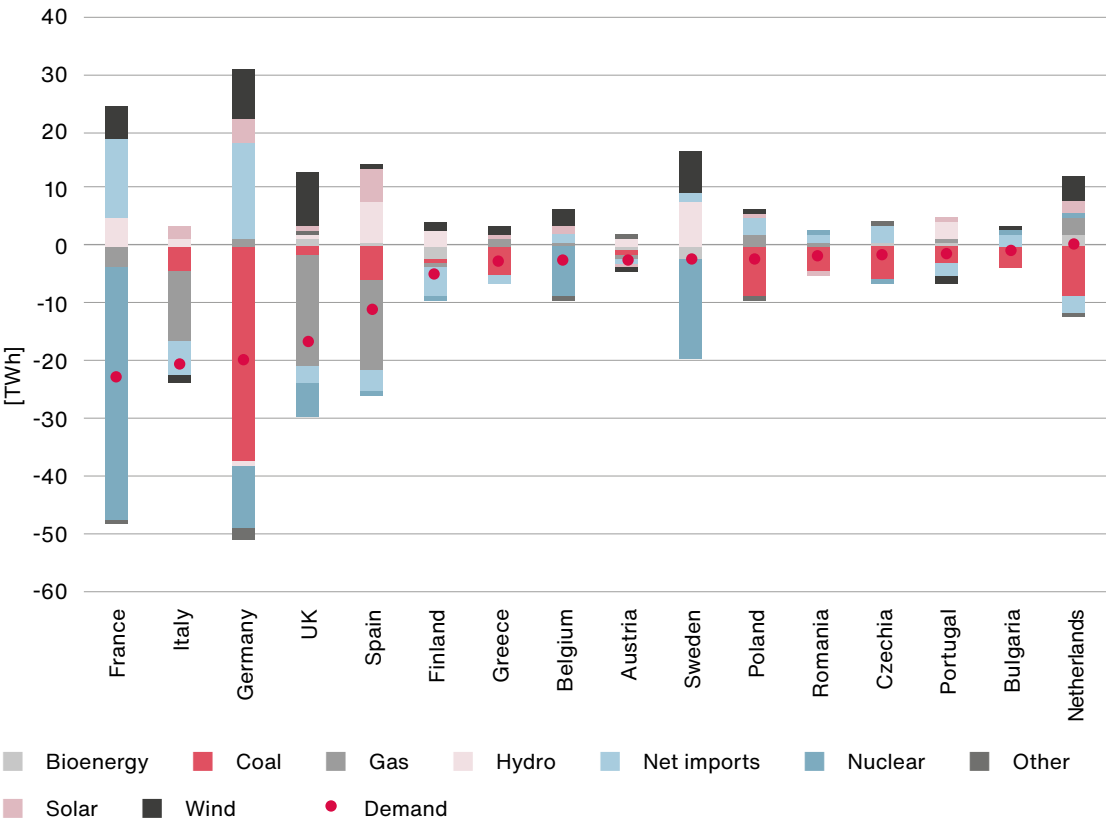


Figure 5: Annual country-wise changes in the electricity consumption and generation.  
Source: Agora Energiewende

Spain (+6 TWh), Germany (+5 TWh) and the Netherlands (+3 TWh). For the first time ever, France joined Denmark and Sweden when its wind and solar generation overtook fossil. However, the additions in wind and solar production vary greatly throughout Europe as many countries, some with excellent renewable conditions, have added hardly any capacity since 2015: Portugal, Romania, Austria, Italy, Czech Republic, Slovakia, and Bulgaria. To meet the new green deal target, EU wind and solar generation needs to almost triple by 2030, amounting to an annual production growth of 100 TWh.

Hydro generation recovered in 2020 by 28 TWh to slightly above the 2018 levels. The production generally increased across the continent with the most significant rise seen in Sweden (+8 TWh), Spain (+7 TWh) and France (+5 TWh). Only few countries recorded a modest decline in hydro generation, notably Germany (-1 TWh) and Greece (-0.5 TWh). Although climbing up, increase in hydro generation was mostly driven by precipitation changes as new hydro capacity installations are close to zero.

POWER PRICES

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

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





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

### NATURAL GAS

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

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

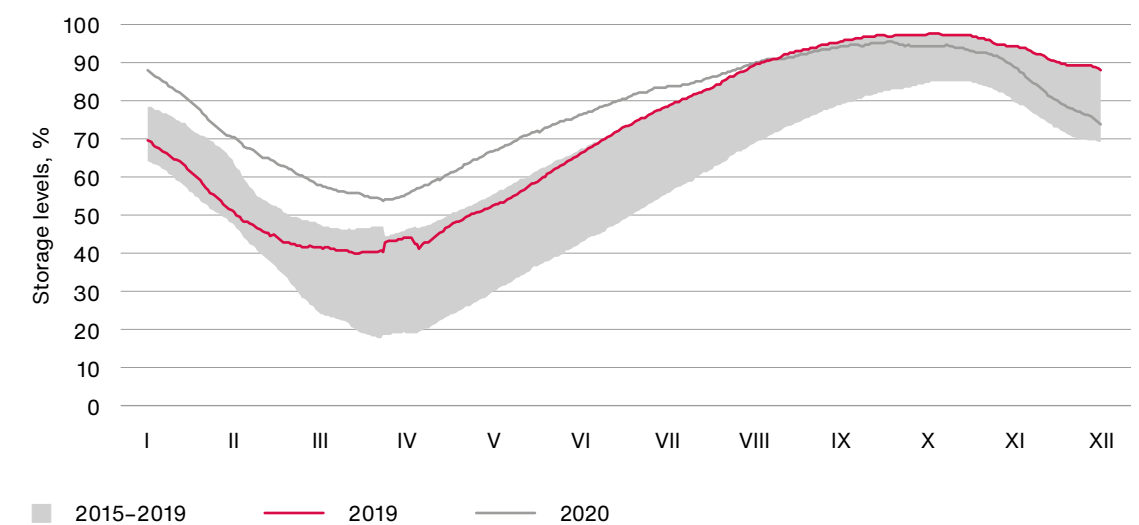


Figure 7: Combined European Storage Levels. Source: AGSI

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

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

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

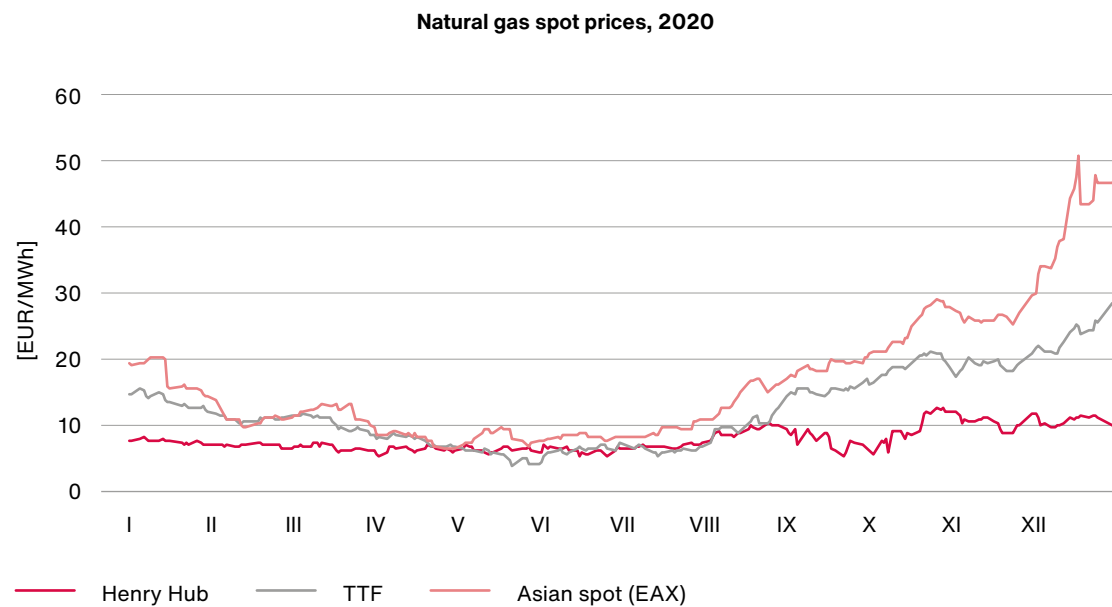


Figure 8: Worldwide Natural Gas Spot Prices.  
Source: International Energy Agency, Gas Market Report, Q1-2021

## LNG

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

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

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

The combination of excess of supply and lower global gas demand impacted severely in investment in liquefaction projects, which was almost entirely interrupted in 2020. This contrasts with the case of 2019, which recorded an all-time-high number of final investment decisions

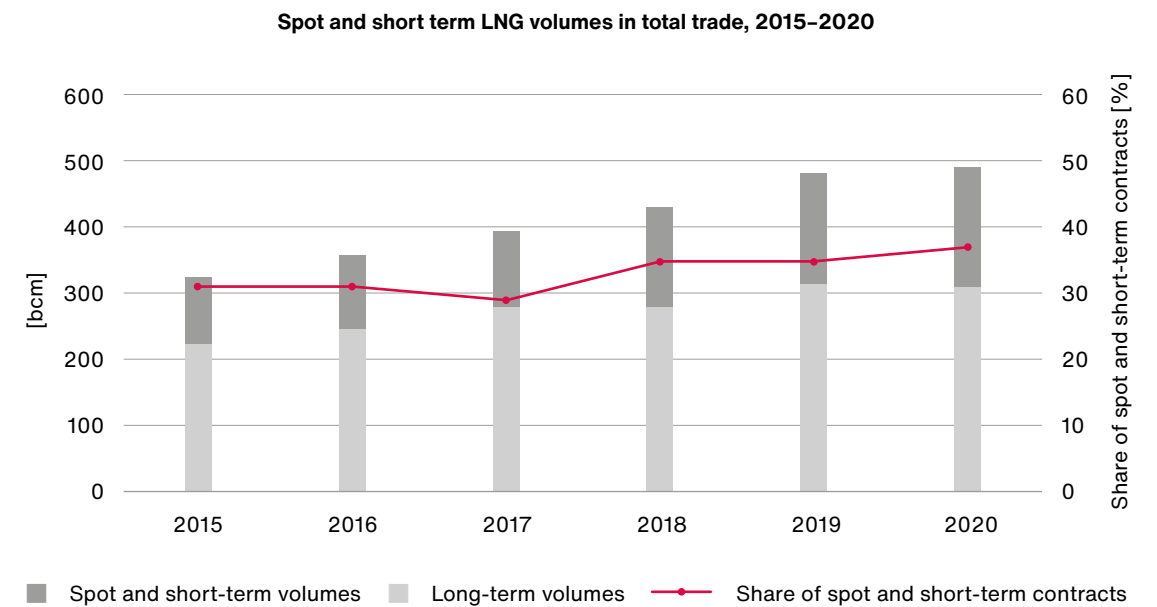


Figure 9: LNG Volumes traded.  
Source: International Energy Agency, Gas Market Report, Q1-2021

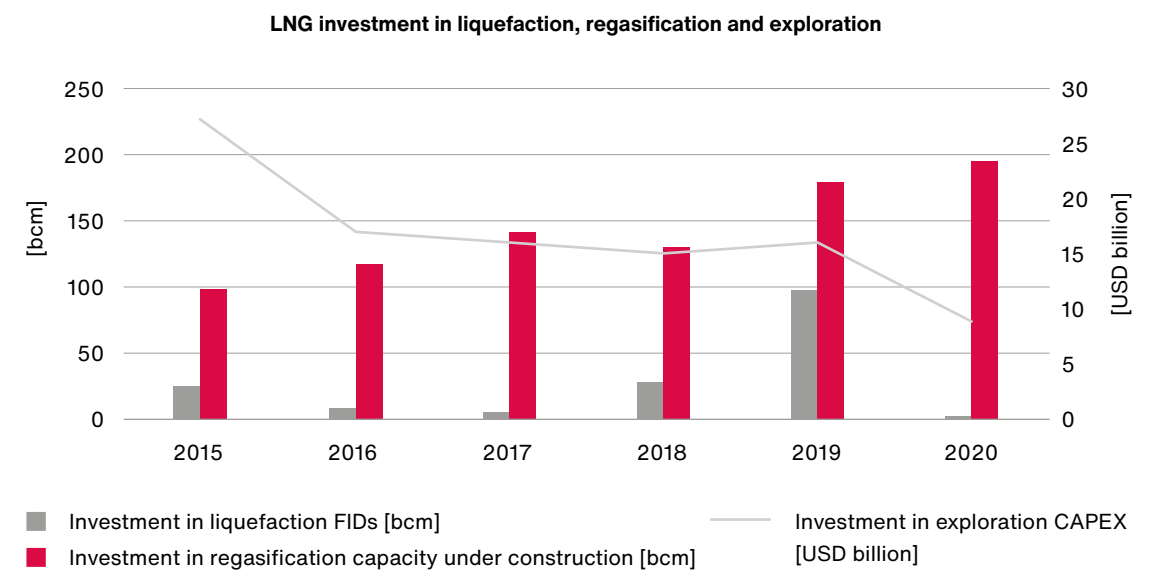


Figure 10: LNG Investment in liquefaction, regasification, and exploration.  
Source: International Energy Agency, Gas Market Report, Q1-2021

(FIDs) reaching almost 100 bcm of new liquefaction capacity approved (Figure 10). A similar situation happened on the gas exploration spending, which declined to 9 billion dollars in 2020, less than half of the 16 billion reached in 2019. The impact of this long investment pauses for the short and mid-term outlook in global gas markets is yet unknown.

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

## OIL

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

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

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

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

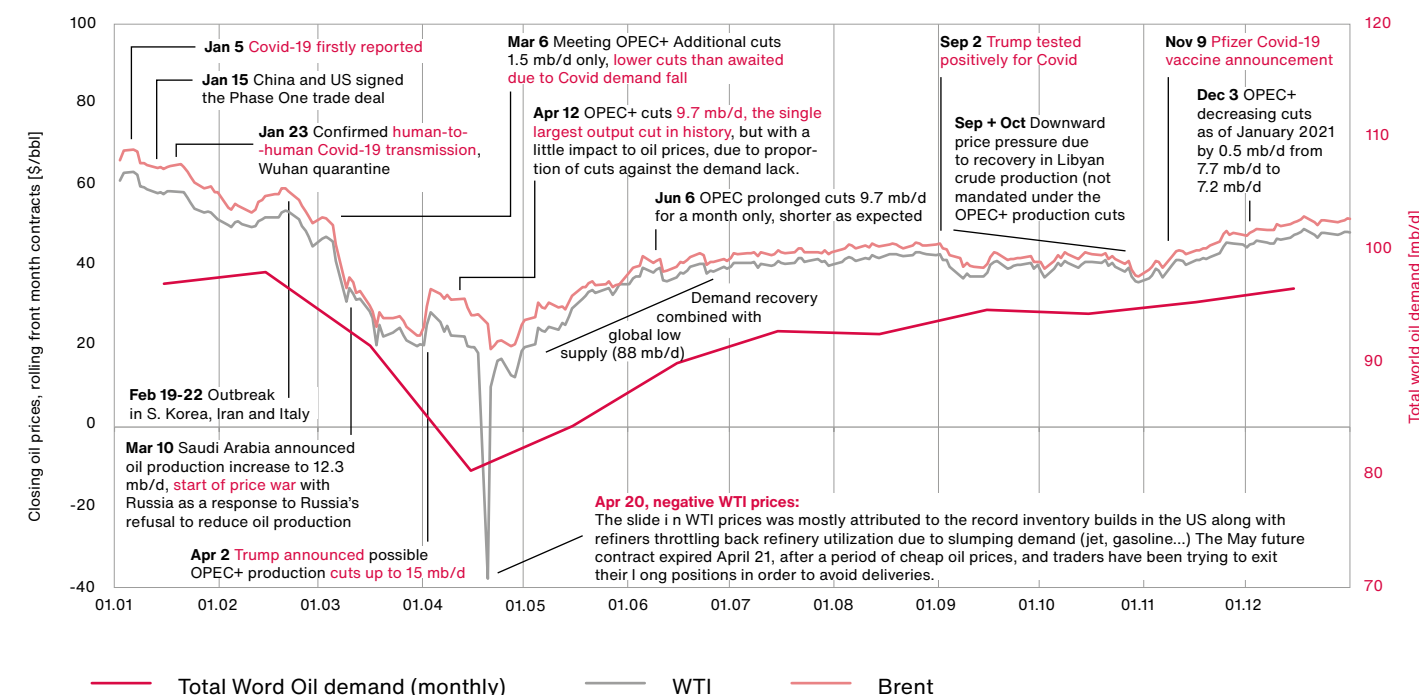


Figure 11: Closing prices oil, OPEC decisions, milestones, oil demand

## COAL

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

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

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

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

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

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

#### EUA

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

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

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

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

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

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

#### POLITICAL DEVELOPMENTS AND GLOBAL TRENDS

##### BREXIT

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

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

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

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

GERMANY COAL PHASE-OUT

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

2019–2020 GLOBAL CORONAVIRUS PANDEMIC

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

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

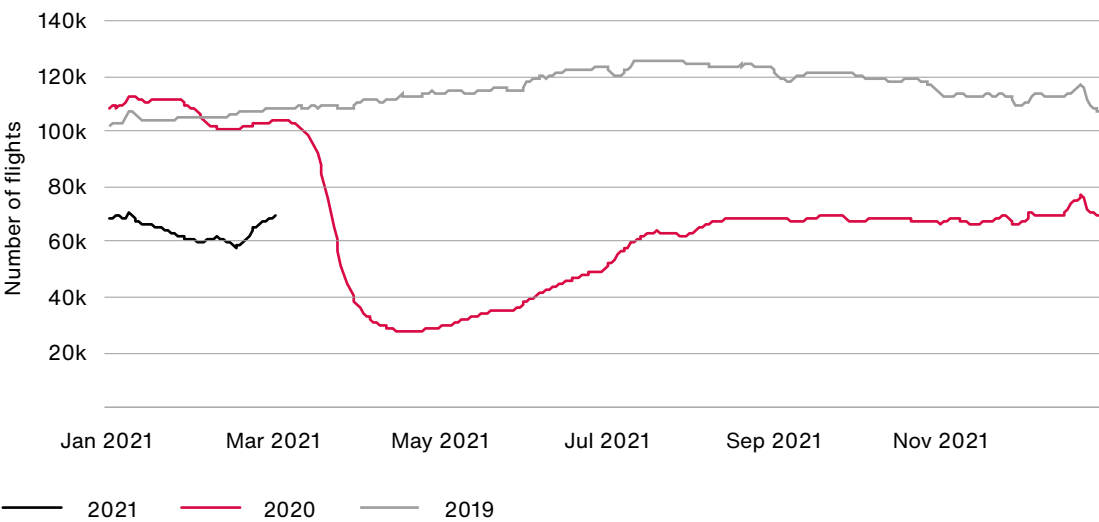


Figure 12: Number of commercial flights, 7-day moving average. Source: EnergyScan, flightradar24

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

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

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

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

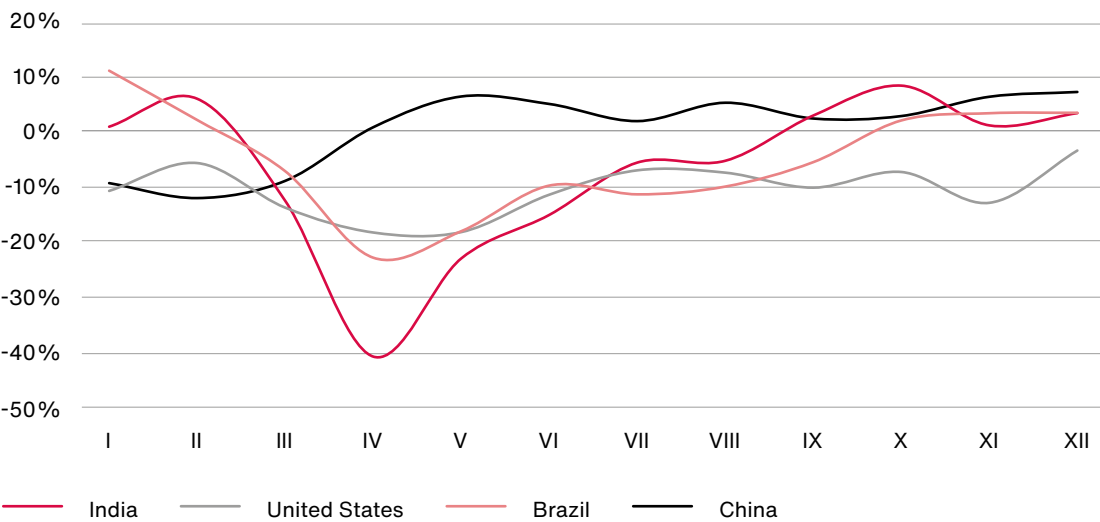


Figure 13: Monthly evolution of CO<sub>2</sub> emissions in selected major economies, 2020 relative to 2019. Source IEA

As primary energy demand dropped nearly 4% in 2020, global energy-related CO<sub>2</sub> emissions fell by 5.8% according to the latest statistical data, the largest annual percentage decline since World War II. Demand for fossil fuels was hardest hit in 2020 – especially oil, which plunged 8.6%, and coal, which dropped by 4%. Oil's annual decline was its largest ever, accounting for more than half of the drop in global emissions.

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

#### US ELECTION AND ENERGY MARKET IMPLICATION

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

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

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

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

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

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

## 1.2 Major events

#### EVENTS IN THE REVIEWED FISCAL YEAR

##### ACQUISITION OF HUMBLY GROVE GAS STORAGE

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

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

##### SUCCESSFUL PLACING OF EPH BOND

On 17 March 2020, EPH Financing CZ, a.s. has issued 5-year bonds with a nominal value of CZK 10,000 each in an aggregate amount of CZK 5 billion with a fixed interest rate of 4.50 % p.a. The bonds have been offered since the middle of this February. According to the terms of issue, EPH Financing CZ, a.s. increased the bond issue by additional CZK 2.5 billion during 2020.



## OTHER MAJOR EVENTS

On 14 January 2020, the EPIF signed a new bank financing agreement for the total amount of EUR 800 million. The funds comprise a term loan of EUR 400 million and a committed revolving credit facility of up to EUR 400 million; both are unsecured and have a five-year term. The Group used the funds to fully refinance the existing EPIF's bank debt which was due in 2023 (EUR 500 million).

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

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

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

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

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

On 3 November 2020, the Group disposed through its wholly owned subsidiary EP Infrastructure, a.s. its 100% interest in Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s. (Group's effective interest was 69%).

On 2 December 2020, the Group disposed through its subsidiary EP Infrastructure, a.s. its 95.62% interest in Budapesti Erőmű Zrt. and Energia-pro Zrt. (Group's effective interest was 65.98%).

## EVENTS THAT OCCURRED AFTER THE REPORTING DATE

### DISPOSAL OF PRZEDSIĘBIORSTWO GÓRNICZE SILESIA SP. Z O.O.

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

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

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



### EPH SUBSIDIARY IS GOING TO BUY STEAG POWER MINERALS

On 10 March 2021, EP Power Europe, a.s., a subsidiary of EPH, signed an agreement with STEAG GmbH for the purchase of the shares in STEAG Power Minerals GmbH (“SPM”). SPM is a European leader in the provision for the power plant by-products and expendable blasting single use abrasives and it also provides broad range of waste management services. With this step, EPPE confirms its long-term intention to strengthen its position in the segment of sustainable development and environmentally friendly solutions.

Closing of acquisition is subject to relevant approvals, especially from competition authorities and will probably be completed during the second quarter of the year 2021.

### EPH SIGNED EUR 1 BILLION FINANCING WITH GROUP OF INTERNATIONAL BANKS

On 16 March 2021, Energetický a průmyslový holding, a.s. (EPH) signed a new EUR 1 billion term and revolving facilities agreement with a banking syndicate comprising of several international banks and Komerční banka, a.s. who acted as agent of the finance parties. The facilities were arranged, among others, by Bank of China (CEE) Ltd., COMMERZBANK Aktiengesellschaft acting through COMMERZBANK Aktiengesellschaft, pobočka Praha, Credit Suisse AG, ING Bank N.V., Prague branch, Komerční banka, a.s., SMBC Bank EU AG and UniCredit Bank Czech Republic and Slovakia a.s. who acted as mandated lead arrangers and bookrunners and Citibank Europe plc who acted as mandated lead arranger. Baker & McKenzie acted as legal advisor on behalf of lenders.

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

### OTHER MAJOR EVENTS

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 the LEK is entitled to a compensation claim of EUR 1.75 billion for the decommissioning of its plants.

With conclusion of the contract LEK and Lausitz Energie Bergbau GmbH (“LEB”) waive remedies against the measures based on the KVBG and the contract. However, the actual damages and disadvantages are significantly higher.

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

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

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

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

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

On 1 April 2021, results of second auction for decommissioning of coal-fired power plants (“PP”) was announced by German Federal Network Agency. Deadline for offers into this auction was on 4 January 2021 and EPH, through its wholly owned subsidiaries, submitted offers for two power plants, hard coal fired PP Mehrum and lignite fired PP in Deuben operated by MIBRAG with capacity of 690 MW and 67 MW respectively. Both power plants were successful in their respective bids and were allocated with compensation. As a result, EPH will no longer be entitled to market the electricity generated in these plants after 8 December 2021. Subject to review by the transmission system operators and German Federal Network Agency, the Mehrum and Deuben power plants will be decommissioned and will substantially reduce the CO<sub>2</sub> produced by EPH power plant portfolio since then.

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

Except for the matters described above and elsewhere in the Annual Report or Notes to the Financial Statements, the Company's management is not aware of any other material subsequent events that could have an effect on the Statutory and Consolidated Financial Statements as at and for the year ended 31 December 2020.

## 1.3 Business performance

### OPERATIONAL PERFORMANCE

#### PERFORMANCE OF INFRASTRUCTURE ASSETS

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

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

Gas transmission capacity in 2020 was 88.7 bcm (entry bookings). The volume of transited gas was 57.0 bcm, representing a decrease of 18% (69.1 bcm in 2019).

In segment of Gas and Power Distribution, operating performance was very similar in comparison with previous year in both commodities, where the EPH Group distributed 53.9 TWh of gas (52.1 TWh in 2019) and 5.9 TWh of power (6.2 TWh in 2019).

The Group supplied 19.8 PJ of heat (22.7 PJ in 2019). Majority of supply volumes belong to our highly efficient CHP plants in the Czech Republic under EPIF Group, with minor supply volumes provided also by our German operations under EPPE Group.

KPI	Unit	2020	2019	2020 - 2019	%
<b>Performance of EPH infrastructure assets</b>					
Gas Transmission Capacity*	bcm	88.7	84.3	4.4	5%
Gas Transmission	bcm	57.0	69.1	(12.1)	(18%)
Gas Storage Capacity	TWh	64.2	60.8	3.4	6%
Gas Storage Sales	TWh	65.7	64.7	1.0	2%
Gas Distribution	TWh	53.9	52.1	1.8	3%
Power Distribution	TWh	5.9	6.2	(0.3)	(5%)
Heat Supply	PJ	19.8	22.7	(2.9)	(13%)

\* Represents entry capacity bookings.

#### PERFORMANCE OF POWER GENERATION ASSETS

Power generation assets represent younger part of EPH portfolio and majority of these are bundled under EPPE Group. EPH Group consolidates 11.6 GW of net installed power capacity (13.3 GW in 2019). The capacities generated 38.1 TWh of power (33.4 TWh in 2019).

EPIF Group consolidates 1.0 GW of net installed power capacity, which represents 35% decrease against 2019 mainly due to disposal of Budapesti Erőmű Zrt. ("BERT"), a key heat and power producer in Budapest. The highly efficient CHP plants, with minor renewable wind, solar and biogas generation capacities, represent majority of this. EPIF Group generated net power volume of 3.3 TWh of power, the same as in 2019.

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

KPI	Unit	2020	2019	2020 - 2019	%
<b>Net installed capacity – Electricity – Total</b>					
<b>EPiF Group</b>					
Czech Republic	MW	900	1,031	(131)	(13%)
Slovakia	MW	68	68	-	-
Hungary	MW	-	396	(396)	(100%)
<b>Total – EPiF Group</b>	<b>MW</b>	<b>968</b>	<b>1,495</b>	<b>(527)</b>	<b>(35%)</b>
<b>EPPE Group</b>					
Germany	MW	795	1,147	(352)	(31%)
France	MW	1,432	2,262	(830)	(37%)
Ireland	MW	384	384	-	-
UK	MW	4,025	4,025	-	-
Italy	MW	3,989	3,989	-	-
<b>Total – EPPE Group</b>	<b>MW</b>	<b>10,625</b>	<b>11,807</b>	<b>(1,182)</b>	<b>(10%)</b>
<b>Total – EPH Group</b>	<b>MW</b>	<b>11,593</b>	<b>13,302</b>	<b>(1,709)</b>	<b>(13%)</b>

KPI	Unit	2020	2019	2020 - 2019	%
<b>Net power production – Total</b>					
<b>EPiF Group</b>					
Czech Republic	TWh	2.0	1.9	0.1	6%
Slovakia	TWh	0.0	0.0	0.0	-%
Hungary	TWh	1.3	1.4	(0.1)	(7%)
<b>Total – EPiF Group</b>	<b>TWh</b>	<b>3.3</b>	<b>3.3</b>	<b>0.0</b>	<b>1%</b>
<b>EPPE Group</b>					
Germany	TWh	1.3	1.4	(0.1)	(4%)
France	TWh	1.7	2.4	(0.7)	(29%)
Ireland	TWh	1.7	0.3	1.4	466%
UK	TWh	15.1	11.0	4.1	37%
Italy	TWh	14.9	15.0	(0.1)	(1%)
<b>Total – EPPE Group</b>	<b>TWh</b>	<b>34.7</b>	<b>30.1</b>	<b>4.6</b>	<b>15%</b>
<b>Total – EPH Group</b>	<b>TWh</b>	<b>38.1</b>	<b>33.4</b>	<b>4.7</b>	<b>14%</b>

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 13.0 GW of net installed power capacity (12.8 GW in 2019) and generated 61.4 TWh power (70.2 TWh in 2019). Major share of this is represented by LEAG Group and Slovenské elektrárne Group.

## SUSTAINABILITY PERFORMANCE

### EMISSIONS AND ENVIRONMENTAL PROTECTION ACTIVITIES

EPH Group produced 19.6 million tons of CO<sub>2</sub> emissions (18.0 million tons in 2019) with intensity of 458 ton CO<sub>2</sub>/GWh (465 ton CO<sub>2</sub>/GWh in 2019). GHG Emissions volume and intensity follow power and heat generation volumes as well as generation fuel mix. Emissions intensity is calculated including heat component, as without these the performance of our highly efficient CHP plants would be distorted.

EPiF Group produced 3.7 million tons of CO<sub>2</sub> emissions (4.0 million tons in 2019) with intensity of 481 ton CO<sub>2</sub>/GWh (474 ton CO<sub>2</sub>/GWh in 2019). The slight increase in emission intensity was related to disposal of BERT with lower emission intensive CCGT plants at the beginning of December. This also contributed to an overall reduction of 0.2 million tons of CO<sub>2</sub> emissions compared to 2019.

EPPE Group produced 15.8 million tons of CO<sub>2</sub> emissions (14.0 million tons in 2019) with intensity of 453 ton CO<sub>2</sub>/GWh (462 ton CO<sub>2</sub>/GWh in 2019). The overall increase in CO<sub>2</sub> emissions volume is partially driven by the acquisition of generation assets in France, the UK and Ireland in the course of 2019, which was partially compensated by a decline in power produced by German conventional assets.

KPI	Unit	2020	2019	2020 - 2019	%
Direct GHG Emissions (Scope 1)					
EPIF Group					
Czech Republic	million tons CO <sub>2</sub> eq.	2.8	2.8	0.0	1%
Slovakia	million tons CO <sub>2</sub> eq.	0.2	0.4	(0.2)	(51%)
Germany	million tons CO <sub>2</sub> eq.	0.0	0.0	0.0	(37%)
Hungary	million tons CO <sub>2</sub> eq.	0.7	0.8	(0.1)	(10%)
Total – EPIF Group	million tons CO <sub>2</sub> eq.	3.7	4.0	(0.3)	(6%)
EPPE Group					
Germany	million tons CO <sub>2</sub> eq.	1.6	1.8	(0.2)	(10%)
France	million tons CO <sub>2</sub> eq.	0.6	0.8	(0.2)	(23%)
Ireland	million tons CO <sub>2</sub> eq.	0.7	0.1	0.6	575%
UK	million tons CO <sub>2</sub> eq.	5.5	3.7	1.8	50%
Italy	million tons CO <sub>2</sub> eq.	7.4	7.6	(0.2)	(3%)
Total – EPPE Group	million tons CO <sub>2</sub> eq.	15.8	14.0	1.8	13%
Total – EPH Group	million tons CO <sub>2</sub> eq.	19.6	18.0	1.6	9%

KPI	Unit	2020	2019	2020 - 2019	%
Emissions intensity – Including heat component					
EPIF Group					
Czech Republic	ton CO <sub>2</sub> eq./GWh	618	625	(7)	(1%)
Slovakia	ton CO <sub>2</sub> eq./GWh	5	9	(4)	(40%)
Hungary	ton CO <sub>2</sub> eq./GWh	260	258	2	1%
Total – EPIF Group	ton CO <sub>2</sub> eq./GWh	481	474	7	1%
EPPE Group					
Germany	ton CO <sub>2</sub> eq./GWh	1,004	1,076	(72)	(7%)
France	ton CO <sub>2</sub> eq./GWh	361	352	9	3%
Ireland	ton CO <sub>2</sub> eq./GWh	398	392	6	2%
UK	ton CO <sub>2</sub> eq./GWh	368	339	29	9%
Italy	ton CO <sub>2</sub> eq./GWh	496	505	(9)	(2%)
Total – EPPE Group	ton CO <sub>2</sub> eq./GWh	453	462	(9)	(2%)
Total – EPH Group	ton CO <sub>2</sub> eq./GWh	458	465	(7)	(1%)

Note: Calculation of Emissions intensity indicators excludes emissions from non-energy producing operations, namely eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s. and Pozagas a.s. in Slovakia, SPP Storage, s.r.o. in the Czech Republic, NAFTA Speicher GmbH in Germany and Humbly Grove Energy Limited in the UK and in respective summary indicators, in the amount of 0.2 mil ton CO<sub>2</sub> in 2020 and 0.5 mil ton CO<sub>2</sub> in 2019.

In 2020, the EPH Group continued to be very active in the area of environmental protection. The companies within the EPH Group continued to be operated in a manner ensuring their failure-free operation and high efficiency in producing electricity, which has direct impact on the volume of produced emissions.

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

Several environmental regulations in Germany, France, Italy, the United Kingdom, and the European Union regulate the EPH Group activities. These include regulations governing the discharge and emission of pollutants, the handling of hazardous substances and their disposal, cleaning of contaminated sites and health and safety of employees. For example, EPH Group is subject to regulations that impose strict limits on emissions of carbon dioxide (CO<sub>2</sub>), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and solid dust particles emissions (SDP).

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

FOR EXAMPLE:

In 2020, United Energy, a.s. continued to focus on development plans in the area of diversification of the types of fuels used for the production of the main commodities (heat and electricity) and the preparation for a gradual decline in the use of coal. Mid-term plan for decarbonisation continued. The reconstruction of the K6 boiler was started with the aim of enabling 100% combustion of wood biomass. Furthermore, the flue gas cleaning system of the K8 boiler was modernized.

In 2020, in United Energy, a.s. inspections were also carried out by state administration supervisory bodies regarding compliance with Integrated permit conditions in the areas of water protection, air protection, waste management and other areas of the Integrated Prevention Act. According to the final protocol, no violations or non-compliances were found.

In 2020 Elektrárny Opatovice defended during the independent supervisory audit the environmental management system based on the international standard ČSN ISO 14001, within which it strives to minimize the impact of its activities on the environment. Compliance with legislative requirements in the field of environmental protection was also confirmed by an inspection by the state administration supervisory body.

The ISO 14001 certificate holders are also Pražská teplárenská a.s., eustream, a.s., Stredoslovenská distribučná, a.s., Plzeňská teplárenská, a.s., POZAGAS a.s., TERMONTA PRAHA a.s. or NAFTA a.s. In the EPPE Group, the ISO 14001 is held by Biomasse Crotone S.p.A., Biomasse Italia S.p.A., Fusine Energia S.r.l., EP Ballylumford Limited, EP France S.A.S. (incl. its subsidiaries), EP Kilroot Limited, EP Langage Limited, EP SHB Limited, EP Produzione S.p.A. (incl. its subsidiaries), Lynemouth Power Limited and Tynagh Energy Limited.

In 2020, the main steam turbine used for cogeneration production was replaced at Elektrárny Opatovice, a.s., including the related equipment such as control systems and primary heat exchangers. The upgraded back-pressure turbine will have capacity of 65 MWe and 135 MWth. The replacement has enhanced reliability of supplies and has increased the production efficiency, thus lowering the emission intensity.

Plzeňská teplárenská, a.s. throughout the year complied with the conditions set in integrated permits of individual company premises, which was confirmed by regular inspections by the Czech Environmental Inspectorate environment. Emission limits for pollutants into the air and water set by the integrated permits for the operation of the facility were fulfilled during the year. During the year, the requirements were reviewed and evaluated according to the EU Decision on the best available techniques, the so – called BAT for combustion equipment. In 2020, a recertification audit of the implemented system took place environmental management according to ISO 14001, which has also been extended to the Energetika complex. The certification audit proved the ability of the set system to meet the requirements of products, services, and the environment.

NAFTA continued its traditional contributions to community projects in locations where it operates. NAFTA's commitment to the environment remains strong and NAFTA continues to be dedicated to its protection and sustainable development. In 2020, NAFTA continued to concentrate on environmental protection, preparing for the closure of sites when work there will be completed and supporting environmental protection. In addition to these projects, Attention was paid to NAFTA's wells' safety systems and to replacing the "Christmas trees" on NAFTA's wells and other parts of NAFTA's equipment. Investment was focused on new pipeline connections to ensure injection and production at different delivery points and to prevent methane emissions.

NAFTA successfully passed a safety audit conducted at its Inzenham- West, Wolfersberg and Breitbrunn/Eggstätt facilities by Berufsgenossenschaft Rohstoffe und Chemische Industrie (BG RCI), an established professional association. NAFTA Speicher also successfully completed a periodic inspection for the issue of a permit to operate our storage facilities in the coming years. Both of these events confirm the appropriateness of corporate processes and activities that have been set up. Passing both the audit and the inspection provides firm assurance of NAFTA's safe operation of these facilities.

In 2020, NAFTA once again successfully passed a recertification audit, whose attention focused on maintaining and improving standards and management for workover, drilling and slickline services in the company. NAFTA's ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certifications were defended, affirming its professionalism in quality management, environmental

protection and occupational health and safety. In this area of our operations, NAFTA received a Safety Certificate for Contractors (SCC), which allows NAFTA to bring workover and drilling experience to other markets, such as Germany, in the future.

An important air protection project continues to be carried out by eustream a.s. "the modification of the Nuovo Pignone gas turbines to use Dry Low Emissions (DLE) technology" to comply with Directive of the European Parliament and of the Council No. 2010/75/EU on Industrial Emissions.

In 2020, eustream, a.s. completed projects focused on the transmission system development with total investment costs of more than EUR 38 million, including mainly the Polish-Slovakian Gas Interconnection (expected to be commissioned in 2021/2022) and expansion of the splitting junction at Lakšárska Nová Ves with an installation of natural gas transmission compressor station (successfully commissioned 6/2020).

SPP - distribúcia, a.s. has already commenced testing feasibility of blending hydrogen into natural gas in its distribution network. Based on own tests and similar trials performed abroad, SPPD believes that transporting natural gas with up to 20% hydrogen should be feasible, provided that small modifications of certain gas network components or consumers' appliances are performed. The testing is currently performed in laboratory conditions, whereby a trial of the blended gas in an isolated part of the distribution network is planned for 2022.

The companies of the EPIF Group have a municipal waste collection system established. Recycling, reuse of material, composting is preferred over landfilling, which greatly contributes to reducing the production of waste. For example, United Energy, a.s. is entitled to use the label of Ecological firm for its responsible approach to the environment, used product take-back and waste sorting. Plzeňská teplárenská, a.s. operates a waste-to-energy facility ZEVO Plzeň, ecological source that can use a wide range of waste and convert it into energy. Heat energy occurring during the combustion process is subsequently used to supply heat to the territory of Pilsen city and to produce electrical energy. Development of a waste-to-energy plant is also contemplated by Elektrárny Opatovice, a.s. and United Energy, a.s. with both projects being in a preparatory phase. Basic feasibility studies of the projects are prepared, including determination of capacity and waste balances in the region. Negotiations were also held with representatives of respective towns and municipalities and. At the same time, an open dialogue relating to both projects is maintained with all stakeholders. The timing of the realization depends primarily on development of waste legislation which currently imposes ban on waste landfilling from 2030, making more waste available for energy recovery.

The EPIF Group enjoys a positive image in the market and significant level of political and public support resulting from the fact that several of its production facilities operate in a highly efficient combined cogeneration mode, whereby the otherwise wasted by-product of power generation, heat, is funnelled into a heating distribution network, thus capturing otherwise wasted energy, and delivered in the form of heat to our customers. This generation mode has much lower CO<sub>2</sub> emission intensity than a separate production of electric energy and heat. As a result, EPIF saves energy, avoids network losses and improves the security of Europe's internal energy supply.



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

The EPPE Group is an environmentally and socially responsible operator of its power plants. This is a result of an expansion of its fleet comprising renewable or low-emission sources and a gradual decommissioning of coal-fired power plants (e.g. Eggborough, Buschhaus or Mehrum and Deuben both planned for 2021) or their converting into low-emission sources like was the case of coal-fired power plant Lynemouth which was converted into biomass-fired power plant in 2019 and with further investments to its efficiency in 2020. In 2019, EPPE, for example, acquired solid biomass-fired power plants Biomasse Italia and Biomasse Crotone based in Italy, with additional biomass-fired power plant in Provence. Thorough 2020, the EPPE Group further invested into modernization of its fleet which contributed to environmentally and socially responsible way of decarbonization, while keeping in mind security of energy supply in the regions where the EPPE Group operates. As a result, the EPPE Group saves energy, avoids network losses, and improves the security of Europe's internal energy supply while remaining environmentally and socially cautious.

To name few of many examples, in course of 2020, EUR 15 million were invested into ongoing recultivation of Schöningen South mine where operations had already been ceased. Some 100 specialized employees of the MIBRAG Group continued to work, supported by heavy equipment, on earthwork activities to achieve a final slope design according to the geotechnical requirements for later flooding of the open space of the mine and to avoid future landslides.

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

In France, our Gazel Energie Group started activities supporting employees affected by coal closure resolution. The aim is to encourage these employees to undergo career re-focus training paid leave for several months, so they would be able to find another employment. Simultaneously, the Gazel Energie Group works on decommissioning of already closed sites (or those to be closed in near future, specifically Provence 5 or Emile Huchet 6 sites).

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

In EPH's logistics division, we achieved savings in production of GHG emissions as well as energy by switching freight transport from motorways to railways at several projects.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Throughout 2020, EPH continued to focus on its performance in the environmental, social and governance matters, acknowledging its responsibility for the environment, employees, communities, and all other stakeholders. Apart from other things, on 8 April 2020, EPIF was awarded by an ESG rating 65/100 from the top in class rating agency S&P, becoming the first company in the CEE to have obtained such rating.

As a key energy player, EPH is aware of its role in the ongoing transformation of the energy system in Europe with the objective to limit the threat posed by climate changes. EPH fully supports the resolutions passed by the Paris Climate Conference in 2015, committing all the countries involved to limiting the global temperature increase to significantly less than 2 degrees Celsius compared with the pre-industrial level. EPH has already taken important steps in this direction by adding biomass to the energy mix – conversion of Lynemouth, acquisition of biomass plants in Italy and France and acquisition of Plzeňská teplárenská. Furthermore, this will be complemented by refurbishment of an existing lignite boiler at United Energy to enable 100% biomass combustion and a reduction of carbon footprint by replacement of the main steam turbine at Elektrárny Opatovice which is more efficient and therefore less emission intensive. In addition, besides previously closed Eggborough and in 2020 decommissioned Buschhaus powerplants, the Group has already announced a closure of Mehrum (2021), Deuben (2021), Provence 5 (2021) or Emile Huchet 6 (Q1 2022) power plants. All of that represents a significant step towards the fulfillment of the Group's role in attainment of the Paris Climate Conference goals.

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

ESG POLICIES

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

These policies were:

- EPIF Group ESG Master Policy
- EPIF Group Environmental Policy
- EPIF Group Procurement Policy
- EPIF Group Operational Policy
- EPIF Group Code of Conduct

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

- ESG Master Policy
- Environmental Policy
- Operational Policy
- Code of Conduct
- Procurement Policy
- Tax Governance Policy
- Anti-Corruption and Anti-Bribery Policy
- Anti-Financial Crime Policy
- Sanctions Policy
- Anti-Trust Law Policy
- KYC Directive

- Bio-Diversity Policy
- Policy on Reporting of Serious Concerns
- Asset Integrity Policy
- Equality, Diversity, and Inclusion Policy
- Cybersecurity Principles

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

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE (“HSE COMMITTEE”)

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

- a) Provide the Board of Directors with a view on the adequacy and effectiveness of the Group safety, health, environment and security management systems and their application;
- b) Review and provide guidance on safety, health, environment and security strategies, policies and initiatives of the Group;
- c) Make recommendations to the Board of Directors and refer key safety, health, environment and security decisions to the Board of Directors for approval;
- d) Monitor the safety, health, environment and security performance (including contractors) against regulatory standards and targets set by the Board of Directors;
- e) Review all major incidents, focusing particularly on those arising from operational issues.

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

EMPLOYMENT RELATIONS AND EMPLOYEES

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



EPH Group upholds internationally recognised principles of good labour practice as well as all principles of the United Nations Global Compact in respect of Human rights, labour, environment and anticorruption and encourages its business partners to endorse the same commitment as specified in detail in EPH Group Procurement policy. The management believes that that the Group, its companies and equipment comply with all legislative requirements and best practice methods. Moreover, they are constantly striving to improve the safety level of the Group's activities by introducing measures focused on risk assessment, elimination, mitigation, and prevention. The Group also provides general training programs on employee safety and when selecting or assessing potential suppliers, the Group also considers their approach and attitude towards security issues.

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

The average number of employees in EPH Group during 2020 was 11,281 (11,454 in 2019), of which 259 were executives (244 in 2019). Male employees covered for 81% of EPH employees, slightly lower share compared with 2019 (82%). The overall lower number of employees in the current year is mainly attributable to EPPE Group.

The average number of employees in EPIF Group during 2020 was 6,428 (6,459 in 2019), of which 130 were executives (127 in 2019).

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

KPI	Unit	2020	2019	2020 - 2019	%
<b>Headcount</b>					
<b>EPIF Group</b>					
Czech Republic	#	1,889	1,982	(93)	(5%)
Slovakia	#	4,272	4,209	63	1%
Hungary	#	207	208	(1)	(1%)
Germany	#	58	58	-	-%
Netherlands	#	2	2	-	-%
<b>Total – EPIF Group</b>	<b>#</b>	<b>6,428</b>	<b>6,459</b>	<b>(31)</b>	<b>-%</b>
<b>EPPE Group</b>					
Czech Republic	#	108	88	20	23%
France	#	517	518	(1)	-%
Ireland	#	11	11	-	-%
Germany	#	2,389	2,516	(127)	(5%)
UK	#	539	506	33	7%
Switzerland	#	9	4	5	125%
Italy	#	581	582	(1)	-%
<b>Total – EPPE Group</b>	<b>#</b>	<b>4,154</b>	<b>4,225</b>	<b>(71)</b>	<b>(2%)</b>
<b>EPH Other</b>					
Czech Republic	#	407	458	(51)	(11%)
Poland	#	124	153	(29)	(19%)
Other	#	168	159	9	6%
<b>Total – EPH Other</b>	<b>#</b>	<b>699</b>	<b>770</b>	<b>(71)</b>	<b>(9%)</b>
<b>Total – EPH Group</b>	<b>#</b>	<b>11,281</b>	<b>11,454</b>	<b>(174)</b>	<b>(2%)</b>

KPI	Unit	2020	2019	2020 - 2019	%
<b>Headcount</b>					
<b>EPIF Group</b>					
Executives	#	130	127	3	3%
Other Employees	#	6,298	6,331	(33)	(1%)
<b>Total – EPIF Group</b>	<b>#</b>	<b>6,428</b>	<b>6,458</b>	<b>(30)</b>	<b>-</b>
<b>EPPE Group</b>					
Executives	#	70	65	5	7%
Other Employees	#	4,084	4,160	(76)	(2%)
<b>Total – EPPE Group</b>	<b>#</b>	<b>4,154</b>	<b>4,225</b>	<b>(71)</b>	<b>(2%)</b>
<b>EPH Other</b>					
Executives	#	59	52	7	13%
Other Employees	#	640	719	(79)	(11%)
<b>Total – EPH Other</b>	<b>#</b>	<b>699</b>	<b>771</b>	<b>(72)</b>	<b>(9%)</b>
<b>EPH Group</b>					
Executives	#	259	244	15	6%
Other Employees	#	11,022	11,210	(188)	(2%)
<b>Total – EPH Group</b>	<b>#</b>	<b>11,281</b>	<b>11,454</b>	<b>(173)</b>	<b>(2%)</b>

## CORRUPTION AND BREACHES

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

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

## INTERNAL CONTROL SYSTEM

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

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

EPH achieved impressive financial results in the year under the review. This positive development was driven by both our main sub-holdings, EPIF as well as EPPE. Results reflect positive market development on the revenue side as well as cautious approach towards expenses, with further enhancement coming from the impact of new acquisitions.

## SALES

Total sales amounted to EUR 8,531 million (EUR 8,572 million in 2019).

Sales of EPIF Group reached EUR 3,143 million (EUR 3,404 million in 2019) showing material resilience to the pandemic impacts on back of the quality of assets being operated, most of which are regulated and/or contracted on a long-term basis. Majority of EPIF revenue is dependent on already pre-booked capacities, such as ship-or-pay contracts for the Gas Transmission Business, store-or-pay contracts for the Gas Storage Business, fixed tariff components for the Gas and Power Distribution Business and fixed heat price component for the Heat Infra Business. Gas transmission revenue decreased mainly by front-loading of gas transmission from 2020 to 2019 due to uncertainty regarding a renewal of the transit contract between Russia and Ukraine in the second half of 2020. A decrease in Gas and power distribution was driven by a change in relevant

regulation under which since 1 January 2020 Slovak power distribution companies are no more required to act as “pass-through” vehicles for purchase and sale of green electricity produced in their respective distribution areas. The drop in the Heat Infra segment sales was caused primarily by disposal of Pražská teplotárenská a.s. and Budapesti Erőmű Zrt. in the last quarter of 2020.

Sales of EPPE Group reached EUR 5,151 million (EUR 4,933 million in 2019). The increase is attributable to both segments. Generation and Mining segment increased by EUR 181 million, or 4%, mostly as effect of last year acquisitions which have been fully included in the results for the first time (mainly EP Kilroot and EP Ballylumford) as well as due to newly included sourcing activities (EP Resources AG). On the other hand, lower sales were recorded by EP Commodities, JTSD Group and EP Mehrum. Renewable Energy segment increased by EUR 37 million, or 7%, primarily since EP France wind and solar power plants have been included for full year for the first time and due to slight increase in Lynemouth biomass power plant operations.

External Sales	Unit	2020	2019	2020 - 2019	%
<b>EPIF Group</b>					
Gas Transmission	million EUR	720	790	(70)	(9%)
Gas and Power Distribution	million EUR	1,678	1,820	(142)	(8%)
Gas Storage	million EUR	254	220	34	15%
Heat Infra	million EUR	481	564	(83)	(15%)
EPIF Other	million EUR	10	10	-	-
<b>Total EPIF Group</b>	<b>million EUR</b>	<b>3,143</b>	<b>3,404</b>	<b>(261)</b>	<b>(8%)</b>
<b>EPPE Group</b>					
Generation and Mining	million EUR	4,601	4,420	181	4%
Renewable Energy	million EUR	550	513	37	7%
<b>Total EPPE Group</b>	<b>million EUR</b>	<b>5,151</b>	<b>4,933</b>	<b>218</b>	<b>4%</b>
<b>EPH Other</b>					
Holding Entities	million EUR	2	1	1	100%
<b>Total EPH Group</b>	<b>million EUR</b>	<b>8,531</b>	<b>8,572</b>	<b>(41)</b>	<b>-</b>

## EBITDA

EBITDA of EPH Group reached EUR 2,150 million (EUR 2,051 million in 2019). The presented EBITDA is defined as profit from operations plus depreciation and amortisation and is further netted for eventual impact of negative goodwill. Apart from this, the EBITDA calculation does not include any further adjustments.

EBITDA of the EPIF Group amounted to EUR 1,632 million (EUR 1,618 million in 2019). The 1% increase in EBITDA is largely attributable to higher reverse gas flows driven by the attractive price of available storage capacities in Ukraine. Further, EPIF Group benefited from rising storage prices in the region of its operations and was further supported by overall increase of its operating activities efficiency.

EBITDA of the EPPE Group reached EUR 528 million (EUR 441 million in 2019). Generation and Mining segment increased by EUR 83 million, or 26%, mainly due to our UK assets (mainly South Humber Bank and EP Langage) which play key role on the UK's capacity market and also improvement of our Italian assets (EP Produzione, Fiume Santo) on the capacity market. Further, EBITDA was positively impacted by the effect of acquisitions in 2019, which were now included for full year, which was partially offset by lower performance of JTSD Group and Mehrum. Renewable Energy segment increased by EUR 4 million, or 3%, which relates mostly to our French fleet of renewable power plants that were first included for full year while 6 months were included in 2019 only.

EBITDA	Unit	2020	2019	2020 - 2019	%
<b>EPIF Group</b>					
Gas Transmission	million EUR	678	735	(57)	(8%)
Gas and Power Distribution	million EUR	591	528	63	12%
Gas Storage	million EUR	218	175	43	25%
Heat Infra	million EUR	141	176	(35)	(20%)
EPIF Other	million EUR	4	4	-	-%
<b>Total EPIF Group</b>	<b>million EUR</b>	<b>1,632</b>	<b>1,618</b>	<b>14</b>	<b>1%</b>
<b>EPPE Group</b>					
Generation and Mining	million EUR	405	322	83	26%
Renewable Energy	million EUR	123	119	4	3%
<b>Total EPPE Group</b>	<b>million EUR</b>	<b>528</b>	<b>441</b>	<b>87</b>	<b>20%</b>
<b>EPH Other</b>					
Holding Entities	million EUR	(38)	(32)	(6)	-
Inter-segment eliminations	million EUR	2	(1)	3	-
<b>Total EPH Group</b>	<b>million EUR</b>	<b>2,150</b>	<b>2,051</b>	<b>99</b>	<b>5%</b>

**CAPEX**

CAPEX of EPH Group reached EUR 391 million (EUR 364 million in 2019). The presented CAPEX is defined as additions to tangible and intangible assets excluding any potential impact of expenses for emissions rights, which might be categorized as CAPEX under the IFRS rules, and right-of-use assets and goodwill.

CAPEX of EPIF Group reached EUR 207 million (EUR 222 million in 2019). In 2020, EPIF continued its effort to increase production efficiency, reduce environmental impact of its operations and enhance reliability of its services. A major part of CAPEX consisted of commencing works on a strategic project of the Slovak-Polish Interconnector, which is on a list of critical EU infrastructural projects and is supported by the EU. Further, CAPEX was driven by the key investment projects on decarbonization, including the replacement of the major cogeneration steam turbine or reconstruction of the main heat feeding line through which EPIF aims to actively contribute to the ongoing energy transition and decarbonization in Europe.

CAPEX of EPPE Group reached EUR 155 million (EUR 132 million in 2019). The 17% increase in CAPEX is mainly driven by Generation and mining business where major part represents investments in French CCGT Power plants that were disposed of in Q4/2020. The largest part of Generation and Mining segment was represented by large overhauls of our power plants in Italy and the UK. As our largest project of Lynemouth Power plant conversion was completed in 2019 there were no significant capital expenditures in this segment in 2020.

<b>CAPEX</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>	<b>2020 - 2019</b>	<b>%</b>
<b>EPIF Group</b>					
Gas Transmission	million EUR	40	69	(29)	(42%)
Gas and Power Distribution	million EUR	84	85	(1)	(1%)
Gas Storage	million EUR	9	11	(2)	(18%)
Heat Infra	million EUR	74	57	17	30%
EPIF Other	million EUR	-	-	-	-%
<b>Total EPIF Group</b>	<b>million EUR</b>	<b>207</b>	<b>222</b>	<b>(15)</b>	<b>(7%)</b>
<b>EPPE Group</b>					
Generation and Mining	million EUR	149	111	38	34%
Renewable Energy	million EUR	6	21	(15)	(71%)
<b>Total EPPE Group</b>	<b>million EUR</b>	<b>155</b>	<b>132</b>	<b>23</b>	<b>17%</b>
<b>EPH Other</b>	<b>million EUR</b>	<b>29</b>	<b>10</b>	<b>19</b>	<b>190%</b>
Holding Entities	million EUR	-	-	-	-
Inter-segment eliminations	million EUR	-	-	-	-
<b>Total EPH Group</b>	<b>million EUR</b>	<b>391</b>	<b>364</b>	<b>27</b>	<b>7%</b>

**NET FINANCIAL DEBT, LEVERAGE AND CASH CONVERSION**

Net financial debt stood at EUR 4,361 million at the end of the year under review (EUR 5,261 million in 2019). The presented figure is calculated summing up Loans and borrowings together with Issued bills of exchange (presented as part of Financial instruments and financial liabilities), netted for Cash and cash equivalents.

The decrease of the net financial debt was driven by exceptionally strong free cash flow generated by the Group, where the free cash flow from operations was further increased by disposals realized during 2020.

Net Leverage decreased to 2.0x (2.6x in 2019), which is exceptionally low level driven by decrease of net financial debt and increase of the EBITDA growth.

<b>Net financial debt and Leverage</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>	<b>2020 - 2019</b>	<b>%</b>
Loans and borrowings	million EUR	6,004	6,391	(387)	(6%)
Issued bills of exchange	million EUR	110	116	(6)	(5%)
Cash and cash equivalents	million EUR	1,753	1,246	507	41%
<b>Net financial debt</b>	<b>million EUR</b>	<b>4,361</b>	<b>5,261</b>	<b>(900)</b>	<b>(17%)</b>
EBITDA	million EUR	2,150	2,051	99	5%
<b>Net Leverage</b>	<b>x</b>	<b>2.0</b>	<b>2.6</b>	<b>(0.5)</b>	<b>(21%)</b>

Cash conversion was 61.44% (70.16% in 2019). Decrease of the cash conversion in 2020 was caused by larger payment of taxes during 2020 compared to 2019. The high ratio of EBITDA conversion to cash flows further reinforces very good positioning of EPH Group in terms of leverage within the industry peer group.

<b>Cash conversion</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>	<b>2020 - 2019</b>	<b>%</b>
EBITDA	million EUR	2,150	2,051	99	5%
CAPEX	million EUR	(391)	(364)	(18)	5%
Tax paid	million EUR	(438)	(248)	(190)	77%
<b>Cash conversion</b>	<b>%</b>	<b>61.44%</b>	<b>70.16%</b>		

## 1.4 Other Information

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

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

### RIGHTS AND OBLIGATIONS ASSOCIATED WITH SHARES

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

### LEI CODE

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

### BRANCHES

The EPH Group has the following organizational units abroad:

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

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

### RESEARCH AND DEVELOPMENT ACTIVITIES

In 2020, the EPH Group did not carry out any significant research and development activities and as a result did not incur any material research and development costs.

### ACQUISITION OF OWN SHARES OR OWN OWNERSHIP INTERESTS

During the 2020, EPH Group did not acquire any own shares or ownership interests within the Group.

### RISKS AND RISK MANAGEMENT POLICIES

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

### IMPACT OF BREXIT

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

EU Directives and Regulations were adopted into UK law prior to Brexit and the UK has continued to comply with EU law during the Transition Period. EU and UK rules are therefore currently aligned. The UK will be able to develop its own policies going forward, subject to several high-level principles set out in the TCA. The TCA contains a non-regression principle, ensuring that levels of environmental and climate protection cannot fall below those currently in place, including environmental targets already agreed for future dates. However, if policies in the UK and EU diverge

in a way which could significantly affect trade between the two or subsidies are implemented which have this effect, rebalancing or remedial measures can be put in place, which could ultimately undermine or lead to a renegotiation of the TCA.

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

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

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

## SUSTAINABILITY REPORT

EPH plans to issue its Sustainability report for 2020 during H1/2021. The Sustainability report is expected to cover a wide spectrum of economic, environmental, social and governance related topics and will enable report users to obtain a comprehensive understanding of the EPH Group's business and the links between EPH's strategy and commitment to a sustainable global economy.

## OUTLOOK FOR 2021

Even this Annual Report is issued at difficult times in the light of the continued coronavirus pandemic posing great challenges for many aspects of our society including business matters of EPH Group, EPH Group intends to continue to develop its activities across its both key sub-holdings EPIF Group and EPPE Group. The EPH Group has two central objectives: guaranteeing the health and safety of its employees, which remains the Group's top priority, and safeguarding the continuity of the essential energy security service in the countries where the Group operates.

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

# Management Statement

## 2 Management Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Energetický a průmyslový holding, a.s. (further “the Company”) for the year ended 31 December 2020, which is prepared in accordance with the Czech accounting legislation.

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

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

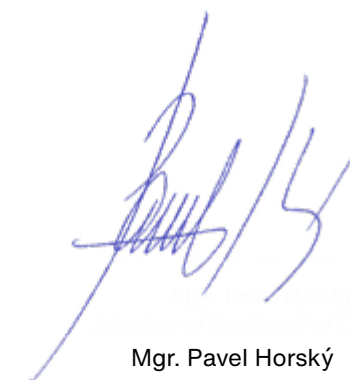
In our opinion, both accompanying financial statements give true and fair view of the assets, liabilities, financial position, profit or loss as well as cash flows for the financial year 2020. In addition, the Group’s review of operations includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

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

Prague, 15 April 2021



JUDr. Daniel Křetínský  
Chairman of the Board of Directors



Mgr. Pavel Horský  
Member of the Board of Directors



## Report on relations

# The EPH

- » The EPH Group has been progressing towards being ranked as one of the most important power producers in the EU. We continue to deliver on our strategy of steady carbon footprint reduction, while providing flexible generation capacity and full security of energy supply.

General part

**Report on relations**

Consolidated Audit Report

Consolidated Financial Statements for the year ended 31 December 2020

Single audit report

Single financial statement for the year ended 31 December 2020

# Report on relations

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

–

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

(the “**Report**”)

## I. PREAMBLE

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

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

The Report has been prepared for the 2020 accounting period.

## II. STRUCTURE OF RELATIONS BETWEEN THE ENTITIES

### CONTROLLED ENTITY

The controlled entity is Energetický a průmyslový holding, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, ID No.: 283 56 250, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, file 21747.

### CONTROLLING ENTITY

EP Investment S.à r.l.  
Registered office: 39, Avenue J.F. Kennedy,  
L – 1855 Luxembourg  
Reg. No.: B 184.488

### OTHER CONTROLLED ENTITIES

The entities controlled by the same controlling entity are specified in the Appendix to the Report.

## III. ROLE OF THE CONTROLLED ENTITY; METHOD AND MEANS OF CONTROL

### ROLE OF THE CONTROLLED ENTITY

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

### METHOD AND MEANS OF CONTROL

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

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

During the 2020 accounting period, no act was carried out in the interest or at the initiative of the controlling entity or entities controlled by the controlling entity that would relate to assets exceeding 10% of the controlled entity’s equity as presented in the latest financial statements.

The Company paid a share of profit exceeding 10% of the Company’s equity.



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

### V.1.1. IN 2020, THE FOLLOWING LOAN AGREEMENTS WERE IN PLACE:

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

On 11 December 2013, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and Mining Services and Engineering Sp. z o.o. as the debtor.

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

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

On 9 December 2016, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

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

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 28 February 2017, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing SK, a. s. as the creditor.

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

On 26 June 2018, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the debtor and DCR INVESTMENT a.s., v likvidaci (formerly DCR INVESTMENT a.s.) as the creditor.

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

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

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

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

On 31 December 2018, 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 5 March 2019, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EPIF Investments a.s. as the creditor.

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

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

On 20 June 2019, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EPIF Investments a.s. as the creditor.

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

On 15 January 2020, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VESA EQUITY INVESTMENT S.à r.l. as the debtor.

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

On 13 March 2020, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Investment S.à r.l. as the debtor.

On 16 March 2020, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Investment S.à r.l. as the debtor.

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

On 9 April 2020, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Investment Advisors, s.r.o. as the debtor.

On 22 June 2020, a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and EP Corporate Group, a.s. as the debtor.

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

On 7 August 2020, a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EPIF Investments a.s. as the creditor.

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

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

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

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

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

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

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

**V. 1. 2. IN 2020, THE FOLLOWING AGREEMENTS ON THE SET-OFF OF RECEIVABLES AND PAYABLES WERE CONCLUDED:**

On 1 April 2020, an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and EP Real Estate, a.s.

On 8 May 2020, an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and EPIF Investments a.s.

On 1 July 2020, an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and Power Europe, a.s.

On 3 July 2020, an agreement on the set-off of receivables with additional equity contribution was signed by and between Energetický a průmyslový holding, a.s. and EP Power Europe, a.s.

On 7 September 2020, an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and EPIF Investments a.s.

On 28 December 2020, an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and EPIF Investments a.s.

**V. 1. 3. IN 2020, THE FOLLOWING GUARANTEE ISSUANCE AGREEMENTS AND GUARANTEE FEE AGREEMENTS WERE VALID BETWEEN ENERGETICKÝ A PRŮMYSLVÝ HOLDING, A.S. AND THE RELATED ENTITIES:**

EP UK Investments Ltd  
EP Commodities, a.s.  
EP Resources CZ a.s. (formerly EP Coal Trading, a.s.)  
EP COAL TRADING POLSKA S.A.  
EP Cargo Invest, a.s.  
EP Cargo Deutschland GmbH  
Gazel Energie Generation S.A.S.  
Gazel Energie Solutions S.A.S.  
EP Resources AG  
EP Mehrum GmbH  
EP Power Europe, a.s.  
Aerodis  
Illico SAS  
Gazel Energie Renouvelables

**V. 1. 4. OTHER CONTRACTS VALID IN 2020:**

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

On 1 April 2020, an agreement on the transfer of security certificates for consideration was signed by and between Energetický a průmyslový holding, a.s. as the seller and EP Real Estate, a.s. as the buyer.

**V. 1. 5. IN 2020, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE:**

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

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

Financial debt guarantees of EPH Financing SK, a.s. issued by Energetický a průmyslový holding, a.s. on 8 June 2015.

Financial debt guarantees of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 18 September 2015.

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

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

Financial debt guarantees of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 6 December 2016.

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

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

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

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

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

Financial debt guarantees of EPH Financing SK, a.s. issued by Energetický a průmyslový holding, a.s. on 10 February 2017.

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

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

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

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

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

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

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

Financial debt guarantees of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 28 June 2018.

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

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

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

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

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

## **V. 2. OTHER JURIDICAL ACTS MADE BETWEEN ENERGETICKÝ A PRŮMYSLVÝ HOLDING, a.s. AND OTHER RELATED PARTIES**

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

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

## **V. 3. TRANSACTIONS, RECEIVABLES AND PAYABLES OF ENERGETICKÝ A PRŮMYSLVÝ HOLDING, a.s. VIS-À-VIS RELATED ENTITIES**

The receivables and payables of Energetický a průmyslový holding, a.s. from/to related entities as of 31 December 2020 are disclosed in the notes to the financial statements, which form part of the consolidated annual report.

## **VI.**

We hereby confirm that we have included in this Report on relations between related entities of Energetický a průmyslový holding, a.s., prepared pursuant to Section 82 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended), for the accounting period from 1 January 2020 to 31 December 2020, all information regarding:

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

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

In Prague, on 31 March 2021



JUDr. Daniel Křetínský  
Chairman of the Board of Directors



Mgr. Pavel Horský  
Member of the Board of Directors

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

# Appendix to the Report on Relations

Company	Country
ABS PROPERTY LIMITED	Ireland
ADCONCRETUM REAL ESTATE DOO BEOGRAD-STARI GRAD	Serbia
AERODIS	France
AISE, s.r.o.	Czech Republic
Alternative Energy, s.r.o.	Slovakia
ARISUN, s.r.o.	Slovakia
Biomasse Crotone S.P.A.	Italy
Biomasse Italia S.P.A.	Italy
Biomasse Servizi S.R.L.	Italy
Bohr & Brunnenbau GmbH	Germany
Centro Energia Ferrara S.R.L.	Italy
Claymore Equity, s. r. o. v likvidácii	Slovakia
Czech Gas Holding Investment B.V	Netherlands
DCR INVESTMENT a.s., v likvidaci	Czech Republic
DYNAMO	France
Eastring B.V.	Netherlands
EGGBOROUGH POWER LIMITED	Great Britain
Elektrárny Opatovice, a.s.	Czech Republic
Elektroenergetické montáže, s.r.o.	Slovakia
Energetický a průmyslový holding, a.s.	Czech Republic
EOP HOKA POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland
EOP HOKA SK, s. r. o.	Slovakia
EP Auto, s.r.o.	Czech Republic
EP BALLYLUMFORD LIMITED	Great Britain
EP Cargo a.s.	Czech Republic
EP Cargo Deutschland GmbH	Germany
EP Cargo Invest a.s.	Czech Republic
EP CARGO POLSKA SPÓŁKA AKCYJNA	Poland
EP Cargo Trucking CZ s.r.o.	Czech Republic
EP COAL TRADING POLSKA SPÓŁKA AKCYJNA	Poland
EP Commodities Ukraine TOB	Ukraine
EP Commodities, a.s.	Czech Republic
EP Corporate Group, a.s.	Czech republic
EP ENERGY HR d.o.o. za usluge	Hungary
EP ENERGY TRADING, a.s.	Czech Republic
EP Energy, a.s.	Czech Republic
EP Equity Investment II S.à r.l.	Luxembourg
EP Equity Investment S.à r.l.	Luxembourg

Company	Country
EP Fleet, k.s.	Czech Republic
EP FRANCE	France
EP Germany GmbH	Germany
EP Hagibor a.s.	Czech Republic
EP Infrastructure, a.s.	Czech Republic
EP Intermodal a.s.	Czech Republic
EP INVEST LIMITED	Great Britain
EP Investment Advisors, s.r.o.	Czech Republic
EP Investment S.à r.l.	Luxembourg
EP KILROOT LIMITED	Great Britain
EP LANGAGE LIMITED	Great Britain
EP Logistics International, a.s.	Czech Republic
EP Mehrum GmbH	Germany
EP Merseburg Transport und Logistik GmbH	Germany
EP New Energies GmbH	Germany
EP New Energy Italia S.R.L.	Italy
EP NI ENERGY LIMITED	Great Britain
EP Power Europe, a.s.	Czech Republic
EP Produzione Centrale Livorno Ferraris S.P.A.	Italy
EP Produzione S.P.A.	Italy
EP Properties, a.s.	Czech Republic
EP Real Estate, a.s.	Czech Republic
EP Resources AG	Switzerland
EP Resources CZ a.s.	Czech Republic
EP Resources DE GmbH	Germany
EP SHB LIMITED	Great Britain
EP Slovakia B.V.	Netherlands
EP Sourcing, a.s.	Czech Republic
EP UK FINANCE LIMITED	Great Britain
EP UK INVESTMENTS LTD	Great Britain
EP UK POWER DEVELOPMENT LTD	Great Britain
EP Ukraine B.V.	Netherlands
EP WASTE MANAGEMENT LIMITED	Great Britain
EP Yuzivska B.V.	Netherlands
EPH Financing CZ, a.s.	Czech Republic
EPH Financing SK, a. s.	Slovakia
EPH Gas Holding B.V.	Netherlands
EPIF Investments a.s.	Czech Republic



Company	Country
EPPE Germany, a.s.	Czech Republic
EPR ASIA PTE. LTD.	Singapore
EPRE Reality s.r.o.	Czech Republic
eustream, a.s.	Slovakia
EVO – Komořany, a.s.	Czech Republic
Farma Lístek, s.r.o.	Czech Republic
Fiume Santo S.P.A.	Italy
Fusine Energia S.R.L.	Italy
GABIT spol. s r.o.	Czech Republic
GALA-MIBRAG-Service GmbH	Germany
GAZEL ENERGIE GENERATION	France
GAZEL ENERGIE RENOUVELABLES	France
GAZEL ENERGIE SOLAIRE	France
GAZEL ENERGIE SOLUTIONS	France
GEOTERM KOŠICE, a.s.	Slovakia
Helmstedter Revier GmbH	Germany
HUMBERLAND LIMITED	Great Britain
HUMBLY GROVE ENERGY LIMITED	Great Britain
HUMBLY GROVE ENERGY SERVICES LIMITED	Great Britain
CHIFFON ENTERPRISES LIMITED	Cyprus
ILLICO	France
JTSD – Braunkohlebergbau GmbH	Germany
Kardašovská Properties a.s.	Czech Republic
Kinet Inštal s.r.o.	Slovakia
Kinet s.r.o.	Slovakia
Kraftwerk Mehrum Gesellschaft mit beschränkter Haftung	Germany
Lirostana s.r.o.	Czech Republic
LOCON Benelux B.V.	Netherlands
LOCON LOGISTIK & CONSULTING AKTIENGESELLSCHAFT	Germany
LOCON PERSONALSERVICE GmbH	Germany
LOCON SERVICE GMBH	Germany
LokoTrain s.r.o.	Czech Republic
LYNEMOUTH POWER LIMITED	Great Britain
Majorelle Investments S.à r.l.	Luxembourg
Malešice Reality s.r.o.	Czech Republic
MIBRAG Consulting International GmbH	Germany
MIBRAG Neue Energie GmbH	Germany
MIBRAG Profen GmbH	Germany

Company	Country
MIBRAG Schleenhain GmbH	Germany
MINING SERVICES AND ENGINEERING SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Poland
Mitteldeutsche Braunkohlengesellschaft mbH	Germany
MR TRUST s.r.o.	Czech Republic
Nadácia EPH	Slovakia
NAFTA a.s.	Slovakia
NAFTA Bavaria GmbH	Germany
NAFTA Exploration d.o.o. za istraživanje i iskorištavanje ugljikovodika	Croatia
NAFTA Germany GmbH	Germany
NAFTA International B.V.	Netherlands
NAFTA RV	Ukraine
NAFTA Services, s.r.o.	Czech Republic
NAFTA Speicher GmbH & CO. KG	Germany
NAFTA Speicher Inzenham GmbH	Germany
NAFTA Speicher Management GmbH	Germany
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany
Nové Modřany, a.s.	Czech Republic
NPTH,a.s. v likvidaci	Czech Republic
Ogen s.r.o.	Czech republic
Patamon a.s.	Czech Republic
Plynárenská metrológia, s. r. o.	Slovakia
Plzeňská teplárenská SERVIS IN a.s	Czech Republic
Plzeňská teplárenská, a.s.	Czech Republic
Plzeňské služby s.r.o.	Czech Republic
Power Reality s.r.o.	Czech Republic
POWERSUN a.s.	Czech Republic
POZAGAS a.s.	Slovakia
Pražská teplárenská Holding a.s. v likvidaci	Czech Republic
PT měření, a.s.	Czech Republic
PT Properties I, a.s.	Czech Republic
PT Properties II, a.s.	Czech Republic
PT Properties III, a.s.	Czech Republic
PT-Holding Investment B.V.	Netherlands
RAILSPED, s.r.o.	Czech Republic
RM LINES, a.s.	Czech Republic
RPC, a.s.	Czech Republic
RVA CONSULTING ENGINEERS LIMITED	Great Britain

Company	Country
RVA ENGINEERING SOLUTIONS LIMITED	Great Britain
RVA Group GmbH	Germany
RVA GROUP LIMITED	Great Britain
Saale Energie GmbH	Germany
SAJDOK a.s.	Czech Republic
Seattle Holding B.V	Netherlands
SEDILAS ENTERPRISES LIMITED	Cyprus
Severočeská teplárenská, a.s.	Czech Republic
SGC-LOGISTICS GMBH	Germany
Slovak Gas Holding B.V.	Netherlands
SPEDICA GROUP COMPANIES, s.r.o.	Czech Republic
SPEDICA LOGISTIC, s.r.o.	Czech Republic
SPEDICA, s.r.o.	Czech Republic
SPP – distribúcia Servis, s.r.o.	Slovakia
SPP – distribúcia, a.s.	Slovakia
SPP Infrastructure Financing B.V.	Netherlands
SPP Infrastructure, a. s.	Slovakia
SPP Storage, s.r.o.	Czech Republic
SPV100, s. r. o.	Slovakia
SSE – Metrológia, s.r.o.	Slovakia
SSE – MVE, s.r.o.	Slovakia
SSE CZ, s.r.o.	Czech Republic
SSE-Solar, s.r.o.	Slovakia
Stredoslovenská distribučná, a.s.	Slovakia
Stredoslovenská energetika – Project Development, s.r.o.	Slovakia
Stredoslovenská energetika Holding, a.s.	Slovakia
Stredoslovenská energetika, a. s.	Slovakia
Střelníčná reality s.r.o.	Czech Republic
SURSCHISTE SA	France
Tagebau Profen GmbH & Co. KG	Germany
Tagebau Schleenhain GmbH & Co. KG	Germany
Triskata, s.r.o.	Slovakia
TYNAGH ENERGY LIMITED	Ireland
United Energy Invest, a.s.	Czech Republic
United Energy Moldova, s.r.o.	Czech Republic
United Energy, a.s.	Czech Republic
V A H O s.r.o.	Czech Republic
VESA EQUITY INVESTMENT S.à r.l.	Luxembourg

Company	Country
VTE Moldava II, a.s.	Czech Republic
VTE Pchery, s.r.o.	Czech Republic
Windpark Breunsdorf I GmbH	Germany
Windpark Profen II GmbH	Germany
Wohnwert Hohenmölsen GmbH	Germany
Zálesí Reality s.r.o.	Czech Republic
Zukunft I GmbH	Germany
Zukunft II GmbH	Germany
Zukunft III GmbH	Germany
Zukunft IV GmbH	Germany
Zukunft V GmbH	Germany
Zukunft VI GmbH	Germany
Zukunft VII GmbH	Germany

## Consolidated Audit Report

General part

Report on relations

**Consolidated Audit Report**

Consolidated Financial Statements for the year ended 31 December 2020

Single audit report

Single financial statement for the year ended 31 December 2020



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Following the delivery of exceptional results in 2019 driven by front-loading of volumes from 2020, the gas transmission segment reported strong performance also in 2020, transporting 57 billion cubic metres of natural gas over the course of the year.



## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Energetický a průmyslový holding, a.s.

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

#### Opinion

We have audited the accompanying consolidated financial statements of Energetický a průmyslový holding, a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

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

#### Other Matter

The consolidated financial statements of Energetický a průmyslový holding, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 11 June 2020.

#### Other Information in the Consolidated Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Prague on 15 April 2021

Audit firm:

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

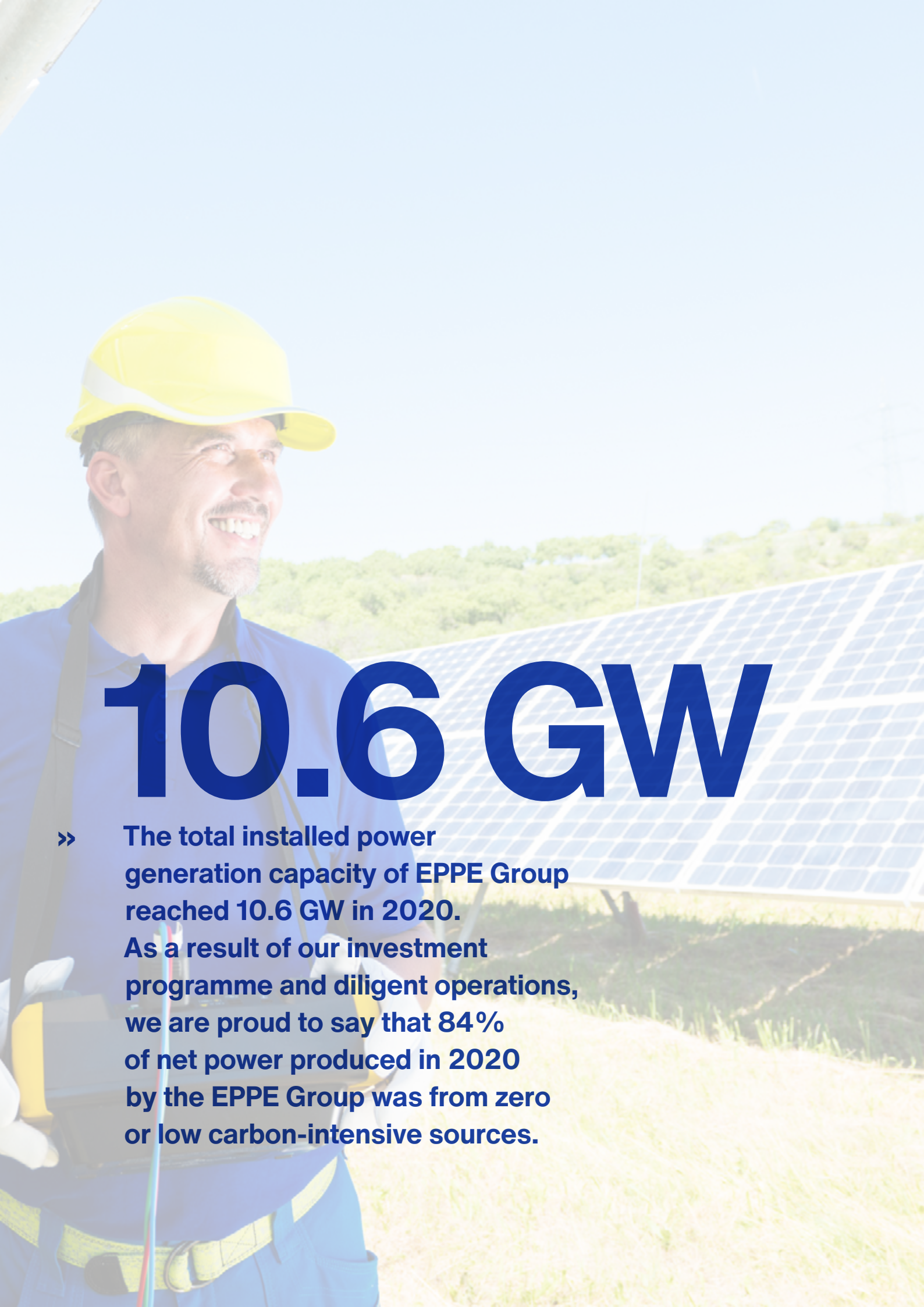
The Deloitte logo, consisting of the word "Deloitte" in a stylized, cursive script.

Statutory auditor:

Ladislav Šauer  
registration no. 2261

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**Consolidated Financial Statements  
for the year ended 31 December 2020**

General part

Report on relations

Consolidated Audit Report

**Consolidated Financial Statements for the year ended 31 December 2020**

Single audit report

Single financial statement for the year ended 31 December 2020

» **10.6 GW**

» **The total installed power generation capacity of EPPE Group reached 10.6 GW in 2020. As a result of our investment programme and diligent operations, we are proud to say that 84% of net power produced in 2020 by the EPPE Group was from zero or low carbon-intensive sources.**



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# Consolidated Financial Statements

as of and for the year ended 31 December 2020

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

# Consolidated statement of comprehensive income

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

	Note	2020	2019 restated <sup>(1)</sup>
Sales	7	8,456	8,562
Gain (loss) from commodity and freight derivatives, net	7	75	10
<b>Total sales</b>		<b>8,531</b>	<b>8,572</b>
<b>Cost of sales</b>	8	<b>(4,895)</b>	<b>(5,210)</b>
<b>Subtotal</b>		<b>3,636</b>	<b>3,362</b>
Personnel expenses	9	(635)	(561)
Depreciation and amortisation	16, 17	(783)	(694)
Repairs and maintenance		(85)	(76)
Emission rights, net	10	(401)	(346)
Negative goodwill	6	9	39
Taxes and charges	11	(128)	(102)
Other operating income	12	147	136
Other operating expenses	13	(422)	(401)
Own work, capitalized		38	39
<b>Profit (loss) from operations</b>		<b>1,376</b>	<b>1,396</b>
Finance income	14	37	89
Finance expense	14	(279)	(211)
Profit (loss) from financial instruments	14	(71)	(309)
<b>Net finance income (expense)</b>		<b>(313)</b>	<b>(431)</b>
Share of profit (loss) of equity accounted investees, net of tax	19	90	175
Gain (loss) on disposal of subsidiaries	6	823	1
<b>Profit (loss) before income tax</b>		<b>1,976</b>	<b>1,141</b>
Income tax expenses	15	(320)	(338)
<b>Profit (loss) for the year</b>		<b>1,656</b>	<b>803</b>
<b>Items that are not reclassified subsequently to profit or loss:</b>			
Revaluation of property, plant and equipment	3(b)	1,315	1,615
Fair value reserve included in other comprehensive income, net of tax	15	(26)	(24)
Foreign currency translation differences from presentation currency	15	(76)	51

Consolidated statement of comprehensive income

	Note	2020	2019 restated <sup>(1)</sup>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences from foreign operations	15	116	(59)
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	(70)	(239)
<b>Other comprehensive income for the year, net of tax</b>		<b>1,259</b>	<b>1,344</b>
<b>Total comprehensive income for the year</b>		<b>2,915</b>	<b>2,147</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Company		927	287
Non-controlling interest	28	729	516
<b>Profit (loss) for the year</b>		<b>1,656</b>	<b>803</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,341	563
Non-controlling interest	28	1,574	1,584
<b>Total comprehensive income for the year</b>		<b>2,915</b>	<b>2,147</b>
<b>Total basic and diluted earnings per share in EUR</b>	<b>27</b>	<b>0.23</b>	<b>0.08</b>

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

The notes presented on pages 108 to 317 form an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at 31 December 2020  
In millions of EUR ("MEUR")

	Note	2020	2019 restated <sup>(1)</sup>
<b>Assets</b>			
Property, plant and equipment	16	12,094	11,218
Intangible assets	17	271	320
Goodwill	17	153	156
Investment property	18	3	3
Equity accounted investees	19	1,002	957
Restricted cash	24	2	1
Financial instruments and other financial assets	32	142	108
Trade receivables and other assets	22	98	147
Deferred tax assets	20	77	85
<b>Total non-current assets</b>		<b>13,842</b>	<b>12,995</b>
Inventories	21	422	378
Extracted minerals and mineral products		144	153
Trade receivables and other assets	22	1,331	1,397
Contract assets	7	54	59
Financial instruments and other financial assets	32	407	370
Prepayments and other deferrals		45	33
Current income tax receivable		18	11
Restricted cash	24	32	46
Cash and cash equivalents	23	1,753	1,246
Assets/disposal groups held for sale	25	4	1
<b>Total current assets</b>		<b>4,210</b>	<b>3,694</b>
<b>Total assets</b>		<b>18,052</b>	<b>16,689</b>
<b>Equity</b>			
Share capital	26	170	152
Share premium	26	64	64
Other reserves	26	1,003	606
Retained earnings		716	536
<b>Total equity attributable to equity holders</b>		<b>1,953</b>	<b>1,358</b>
Non-controlling interest	28	3,434	2,604
<b>Total equity</b>		<b>5,387</b>	<b>3,962</b>

Consolidated statement of financial position

	Note	2020	2019 restated <sup>(1)</sup>
<b>Liabilities</b>			
Loans and borrowings	29	4,770	4,666
Financial instruments and financial liabilities	32	210	237
Provisions	30	1,563	1,536
Deferred income	31	88	88
Contract liabilities	7	115	105
Deferred tax liabilities	20	1,893	1,570
Trade payables and other liabilities	33	118	145
<b>Total non-current liabilities</b>		<b>8,757</b>	<b>8,347</b>
Trade payables and other liabilities	33	1,282	1,331
Contract liabilities	7	70	182
Loans and borrowings	29	1,234	1,725
Financial instruments and financial liabilities	32	608	410
Provisions	30	538	585
Deferred income	31	93	26
Current income tax liability	15	81	121
Liabilities from disposal groups held for sale	25	2	-
<b>Total current liabilities</b>		<b>3,908</b>	<b>4,380</b>
<b>Total liabilities</b>		<b>12,665</b>	<b>12,727</b>
<b>Total equity and liabilities</b>		<b>18,052</b>	<b>16,689</b>

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

The notes presented on pages 108 to 317 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

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

	Attributable to owners of the Company				
	Note	Share capital	Share premium	Other capital funds from capital contributions	Non-distributable reserves
<b>Balance as at 1 January 2020 (restated) (A)<sup>(1)</sup></b>		<b>152</b>	<b>64</b>	<b>23</b>	<b>16</b>
<i>Total comprehensive income for the year:</i>					
Profit or loss (B)		-	-	-	-
<i>Other comprehensive income:</i>					
Foreign currency translation differences for foreign operations	15, 26	-	-	-	-
Foreign currency translation differences from presentation currency	15, 26	-	-	-	-
Fair value reserve included in other comprehensive income, net of tax	15, 26	-	-	-	-
Revaluation reserve included in other comprehensive income, net of tax	3(b)	-	-	-	-
Effective portion of changes in fair value of cash-flow hedges, net of tax	15, 26	-	-	-	-
<b>Total other comprehensive income (C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Contributions by and distributions to owners:</i>					
Increase of share capital		18	-	-	-
Dividends to equity holders	28	-	-	-	-
Transfer to retained earnings		-	-	-	-
<b>Total contributions by and distributions to owners (E)</b>		<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Changes in ownership interests in subsidiaries:</i>					
Effect of disposed entities	6	-	-	-	-
Effect of changes in shareholding on non-controlling interests	6	-	-	-	-
Effect of acquisitions through business combinations	6	-	-	-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transactions with owners (G) = (E + F)</b>		<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2020 (H) = (A + D + G)</b>		<b>170</b>	<b>64</b>	<b>23</b>	<b>16</b>

Consolidated statement of changes in equity

Attributable to owners of the Company								
Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
(109)	(41)	534	(54)	237	536	1,358	2,604	3,962
-	-	-	-	-	927	927	729	1,656
57	-	-	-	-	-	57	59	116
(19)	-	-	-	-	-	(19)	(57)	(76)
-	(25)	-	-	-	-	(25)	(1)	(26)
-	-	444	-	-	-	444	871	1,315
-	-	-	-	(43)	-	(43)	(27)	(70)
38	(25)	444	-	(43)	-	414	845	1,259
38	(25)	444	-	(43)	927	1,341	1,574	2,915
-	-	-	-	-	-	18	-	18
-	-	-	-	-	(763)	(763)	(742)	(1,505)
-	-	(27)	-	-	27	-	-	-
-	-	(27)	-	-	(736)	(745)	(742)	(1,487)
17	-	-	-	(7)	(10)	-	(3)	(3)
-	-	-	-	-	(1)	(1)	-	(1)
-	-	-	-	-	-	-	1	1
17	-	-	-	(7)	(11)	(1)	(2)	(3)
17	-	(27)	-	(7)	(747)	(746)	(744)	(1,490)
(54)	(66)	951	(54)	187	716	1,953	3,434	5,387

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

The notes presented on pages 108 to 317 form an integral part of these consolidated financial statements.

For the year ended 31 December 2019  
In millions of EUR ("MEUR")

	Attributable to owners of the Company				
	Note	Share capital	Share premium	Other capital funds from capital contributions	Non-distributable reserves
<b>Balance as at 1 January 2019</b>		<b>152</b>	<b>64</b>	<b>23</b>	<b>12</b>
Adjustment on initial application of IFRS 16 (net of tax)		-	-	-	-
<b>Adjusted balance as at 1 January 2019 (A)</b>		<b>152</b>	<b>64</b>	<b>23</b>	<b>12</b>
<i>Total comprehensive income for the year:</i>					
Profit or loss (B)		-	-	-	-
<i>Other comprehensive income:</i>					
Foreign currency translation differences for foreign operations	15, 26	-	-	-	-
Foreign currency translation differences from presentation currency	15, 26	-	-	-	-
Fair value reserve included in other comprehensive income, net of tax	15, 26	-	-	-	-
Revaluation reserve included in other comprehensive income, net of tax	3(b)	-	-	-	-
Effective portion of changes in fair value of cash-flow hedges, net of tax	15, 26	-	-	-	-
<b>Total other comprehensive income (C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Contributions by and distributions to owners:</i>					
Dividends to equity holders	28	-	-	-	-
Transfer to retained earnings		-	-	-	-
Transfer to non-distributable reserves – creation of legal fund		-	-	-	4
<b>Total contributions by and distributions to owners (E)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>
<i>Changes in ownership interests in subsidiaries:</i>					
Effect of changes in shareholding on non-controlling interests	6	-	-	-	-
Effect of acquisitions through business combinations	6	-	-	-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total transactions with owners (G) = (E + F)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>Balance as at 31 December 2019 (restated)<sup>(1)</sup></b> (H) = (A + D + G)		<b>152</b>	<b>64</b>	<b>23</b>	<b>16</b>

Attributable to owners of the Company								Total Equity
Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserves	Hedging reserve	Retained earnings <sup>(1)</sup>	Total	Non-controlling interest	
<b>(102)</b>	<b>(17)</b>	<b>-</b>	<b>(54)</b>	<b>475</b>	<b>1,080</b>	<b>1,633</b>	<b>1,504</b>	<b>3,137</b>
-	-	-	-	-	(1)	(1)	(1)	<b>(2)</b>
<b>(102)</b>	<b>(17)</b>	<b>-</b>	<b>(54)</b>	<b>475</b>	<b>1,079</b>	<b>1,632</b>	<b>1,503</b>	<b>3,135</b>
-	-	-	-	-	287	287	516	<b>803</b>
(29)	-	-	-	-	-	(29)	(30)	<b>(59)</b>
22	-	-	-	-	-	22	29	<b>51</b>
-	(24)	-	-	-	-	(24)	-	<b>(24)</b>
-	-	545	-	-	-	545	1,070	<b>1,615</b>
-	-	-	-	(238)	-	(238)	(1)	<b>(239)</b>
<b>(7)</b>	<b>(24)</b>	<b>545</b>	<b>-</b>	<b>(238)</b>	<b>-</b>	<b>276</b>	<b>1,068</b>	<b>1,344</b>
<b>(7)</b>	<b>(24)</b>	<b>545</b>	<b>-</b>	<b>(238)</b>	<b>287</b>	<b>563</b>	<b>1,584</b>	<b>2,147</b>
-	-	-	-	-	(867)	(867)	(498)	<b>(1,365)</b>
-	-	(11)	-	-	11	-	-	<b>-</b>
-	-	-	-	-	(4)	-	-	<b>-</b>
<b>-</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>(860)</b>	<b>(867)</b>	<b>(498)</b>	<b>(1,365)</b>
-	-	-	-	-	30	30	3	<b>33</b>
-	-	-	-	-	-	-	12	<b>12</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>30</b>	<b>15</b>	<b>45</b>
<b>-</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>(830)</b>	<b>(837)</b>	<b>(483)</b>	<b>(1,320)</b>
<b>(109)</b>	<b>(41)</b>	<b>534</b>	<b>(54)</b>	<b>237</b>	<b>536</b>	<b>1,358</b>	<b>2,604</b>	<b>3,962</b>

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

The notes presented on pages 108 to 317 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2020

In millions of EUR ("MEUR")

	Note	2020	2019 restated <sup>(1)</sup>
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		1,656	803
<i>Adjustments for:</i>			
Income taxes	15	320	338
Depreciation and amortisation	16, 17	783	694
Dividend income	14	(3)	(2)
Impairment losses on property, plant and equipment, intangible assets and financial assets	13, 14	14	45
Impairment losses of other financial assets	14	29	327
Non-cash (gain) loss from commodity derivatives for trading with electricity, gas, coal, freight and emission rights, net	7, 10	(75)	(10)
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	12	3	(4)
Emission rights	10	401	346
(Gain) loss on disposal of subsidiaries	6	(823)	(1)
Share of (profit) loss of equity accounted investees	19	(90)	(175)
(Gain) loss on financial instruments	14	42	(18)
Net interest expense	14	157	163
Change in allowance for impairment to trade receivables and other assets, write-offs	13	31	(14)
Change in provisions		(40)	(32)
Negative goodwill	6	(9)	(39)
Other finance fees	14	27	-
Other non-cash transactions		8	-
Foreign exchange (gains) losses, net		88	(18)
<b>Operating profit before changes in working capital</b>		<b>2,519</b>	<b>2,403</b>
Change in trade receivables, other assets, prepayment and other deferrals and contract assets		(23)	286
Change in inventories		(35)	(35)
Change in assets held for sale and related liabilities	(25)	(1)	-
Change in extracted minerals and mineral products		9	2
Change in trade payables and other liabilities, deferred income and contract liabilities		194	(321)
Change in restricted cash		9	(10)
<b>Cash generated from (used in) operations</b>		<b>2,672</b>	<b>2,325</b>
Interest paid		(187)	(181)
Income taxes paid		(438)	(248)
<b>Cash flows generated from (used in) operating activities</b>		<b>2,047</b>	<b>1,896</b>

Consolidated statement of cash flows

	Note	2020	2019 restated <sup>(1)</sup>
<b>INVESTING ACTIVITIES</b>			
Dividends received, other		3	1
Change in financial instruments		(3)	-
Loans provided to the other entities		(1,854)	(1,201)
Repayment of loans provided to other entities		1,814	1,194
Proceeds (outflows) from sale (settlement) of financial instruments		89	(140)
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17, 18	(404)	(343)
Purchase of emission rights	17	(410)	(281)
Proceeds from sale of emission rights		27	16
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		7	21
Acquisition of subsidiaries, net of cash acquired	6	(5)	(24)
Net cash inflow from disposal of subsidiaries	6	1,141	27
Decrease in participation in existing subsidiaries, joint-ventures and associates		-	73
Increase in participation in existing subsidiaries, joint-ventures and associates		(1)	(4)
Capital contributions paid to associates and joint-ventures		(28)	-
Interest received		20	9
<b>Cash flows from (used in) investing activities</b>		<b>396</b>	<b>(652)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		18	-
Proceeds from loans received	29	1,475	1,509
Repayment of borrowings	29	(1,722)	(1,969)
Proceeds from bonds issued, net of transaction fees	29	891	1,261
Repayments of bonds issued	29	(1,016)	(499)
Finance fees paid from repayment of borrowings and bond issue		(13)	(22)
Payment of lease liability	35	(39)	(28)
Loans provided to non-controlling shareholders as a prepayment for a dividend		(270)	(340)
Dividends paid to associates and joint-ventures		(4)	-
Dividends paid		(1,252)	(916)
<b>Cash flows from (used in) financing activities</b>		<b>(1,932)</b>	<b>(1,004)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>511</i>	<i>240</i>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,246</b>	<b>1,006</b>
Effect of exchange rate fluctuations on cash held		(4)	-
<b>Cash and cash equivalents at end of the year</b>		<b>1,753</b>	<b>1,246</b>

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

The notes presented on pages 108 to 317 form an integral part of these consolidated financial statements.



# Notes to the consolidated financial statements

## 1. Background

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

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

On 17 December 2020, a series of transactions was settled, resulting in Patrik Tkáč ultimately controlling 44% minus one share of voting rights in EPH and the remaining 56% plus one share of the voting rights in EPH remaining to be controlled by Daniel Křetínský. Daniel Křetínský has retained the control over EPH.

The consolidated financial statements of the Company for the year ended 31 December 2020 comprise the statements of the Parent Company and its subsidiaries (together referred to as the “Group” or “EPH Group”) and the Group’s interests in associates and joint ventures. The Group entities are listed in Note 38 – Group entities.

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

In millions of EUR

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

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

In millions of EUR

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

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

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

### TRANSACTION OVERVIEW RELATED TO THE SHAREHOLDER STRUCTURE OF EPH GROUP

#### CHANGES IN 2019

In 2019, no change in shareholder structure occurred.

In 2019, the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and disposals of subsidiaries.

#### CHANGES IN 2020

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

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

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

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

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

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

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

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

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

## 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 15 April 2021.

### B BASIS OF MEASUREMENT

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

- gas transmission pipelines and gas distribution pipelines at revalued amounts;
- gas inventories for trading at fair value less cost to sell;
- 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 the Group operates as well as other countries in Europe and worldwide introduced quarantine and other restrictive measures intended to prevent the spread of COVID-19. These restrictive measures have led to serious interruptions in business, economic and day-to-day activities in the countries in which the Group operates and many other countries around the world, affecting, among other things, manufacturing, trade, consumer confidence, levels of unemployment, the housing market, the commercial real estate sector, debt and equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in wholesale and retail markets, the liquidity of the global financial markets and market interest rates.

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

Still the impact of COVID-19 on the Group’s 2020 financial results was limited, as the majority of the Group’s operations is concentrated around critical infrastructure and basic services for people and economies. EPH key subgroups – the EPIF and EPPE Groups (refer to Note 38 – Group entities) – showed robust performance in 2020, where in the case of the EPIF Group, it was largely driven by booked capacities (e. g. ship-or-pay contracts for the Gas Transmission Business, store-or-pay contracts for the Gas Storage Business, fixed tariff components for the Gas and Power Distribution Business and fixed heat price component for the Heat Infra Business), and in the case of the EPPE Group by its increasing share in renewable power generation benefiting from government back schemes securing stability of the operations as well as the 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 part of its operated assets remains regulated and/or long-term contracted. 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 EPH Group's 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 6, 16 and 17 – accounting for business combinations, measurement of goodwill/negative goodwill, impairment testing of property, plant and equipment and goodwill;
- Note 7 – revenues;
- Note 16 – measurement of gas transmission and gas distribution pipelines at revalued amounts;
- Note 21 – measurement of inventories for trading at fair value less cost to sell;
- Note 30 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 29, 32 and 36 – valuation of loans and borrowings and financial instruments;
- Note 39 – litigations.

### MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

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

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

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

### II. JUDGEMENTS

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

- Notes 6 and 17 – accounting for business combinations, measurement of goodwill/negative goodwill, impairment testing of goodwill;
- Note 7 – judgements relating to recognition of revenues from customers;
- Note 16 – assessment that IFRIC 12 and IFRS 16 is not applicable to the gas transmission and gas distribution pipelines, power distribution networks, gas storage facilities and heat infra facilities and distribution network;
- Note 6 and 28 – information relating to assessment of the control over the subsidiaries;
- Note 30 – measurement of defined benefit obligations, recognition and measurement of provisions;

- Note 32 – own use exemption application for forward contracts on power and CO<sub>2</sub> emission allowances;
- Note 32 and 36 – hedge accounting application.

## **F RECENTLY ISSUED ACCOUNTING STANDARDS**

### **I. NEWLY ADOPTED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 THAT HAVE BEEN APPLIED IN PREPARING THE GROUP'S FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

The amendment clarifies the definition of “material” and ensures that the definition is consistent across all IFRS Standards. The amended definition states, that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decision that the primary users make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

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

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

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

## **II. STANDARDS NOT YET EFFECTIVE**

At the date of authorisation of these consolidated financial statements, the following significant Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for the period ended 31 December 2020 and thus have not been adopted by the Group:

#### **IFRS 17 Insurance Contracts and Amendment to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023 (not adopted by EU yet)), and IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9 (Effective for annual reporting periods beginning on or after 1 January 2021)**

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

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

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

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

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

**Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework; IAS 16 – Proceeds before Intended Use, IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract and Annual Improvements 2018–2020  
(Effective for annual reporting periods beginning on or after 1 January 2022 (not adopted by EU yet))**

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

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

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

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

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

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

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

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

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

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



### 3. Significant Accounting Policies

The EPH 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

In 2020, the Group identified an error in the measurement of provision for employee benefits in Gazel Energie Generation S.A.S. (part of EP France Group). The actuarial measurement of the provision did not reflect the commitment to provide electricity for below the market prices to certain former employees' potential survivors. The Group decided to correct the error by amending the acquisition accounting for EP France Group in 2019 (i.e. acquisition balance sheet as of 9 July 2019) and restating comparative information for 2019. For details of the restatement refer to Appendix 3 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position. Due to the fact that the opening balance as of 1 January 2019 remained unaffected, no restated consolidated statement of financial position as of 1 January 2019 was included.

In 2020, the Group identified an omission in elimination of intragroup revenues and expenses in 2019 income statement. The Group corrected the omission by restating comparative information for 2019. For details of the restatement refer to Appendix 3 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position.

In 2020, the Group changed the presentation of tax receivables other than current income tax and deferred tax. Other tax receivables previously included in line item „Tax receivables“ were reclassified to line item „Trade receivables

and other assets“ and line item „Tax receivables“ was renamed to „Current income tax receivable“. The change has been made to align with the presentation requirements of IFRS. For details of the restatement refer to Appendix 3 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position.

#### B CHANGES IN ACCOUNTING POLICIES

##### REVALUATION MODEL FOR PROPERTY, PLANT AND EQUIPMENT

The Group decided to change its accounting policy relating to reporting of gas distribution pipelines of SPP - distribúcia, a.s. („SPPD“) starting 1 January 2020. Similarly, gas transmission pipelines of eustream, a.s. are reported under revaluation model since 1 January 2019. Per the new accounting policy, the gas distribution pipelines shall be following the IAS 16 Revaluation model where the relevant fixed assets are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Under the old accounting policy, the gas distribution pipelines were reported using the IAS 16 Cost model where the relevant fixed assets were carried at cost less accumulated depreciation and impairment. The Group decided to change its accounting policy in relation to its gas distribution pipelines because it believes that it will result in consolidated financial statements providing more relevant information about the gas transmission and gas distribution pipelines, which is one of the major fixed asset groups in the EPIF Group, to users of financial statements.

Gas distribution pipelines create a separate class of assets with distinct characteristics which differentiate the distribution network from other gas networks (such as gas transmission network) the Group operates. These characteristics among others are:

- transmission pipelines, owned and operated by eustream, a.s., are all made of steel and operate under high pressure whereas the gas distribution network pipelines, owned and operated by SPPD, are made of combination of steel and polyethylene while the vast majority of the gas networks runs under low pressure;
- SPPD owns over 33 thousand kilometres of gas distribution network. The difference is also in the number of pressure regulation stations – eustream operates just 5 while SPPD needs 1,732 of them to keep the gas distribution network functioning;
- SPPD provides gas distribution to end-consumers under standard framework distribution agreements (with tariffs established by the regulator based on standard Regulatory Asset Base („RAB“) formula) entered into with natural gas suppliers. As of the end of 2020, SPPD has standard framework distribution agreements in place with 31 natural gas suppliers with five major suppliers (SPP, innogy, MET Slovakia, ZSE energia, and Stredoslovenská energetika) holding over 84% of the market share and contributing 84% of SPPD's annual total revenue in 2020.
- an increase in revalued amount is recognised in other comprehensive income. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss;
- a decrease in revalued amount primarily decreases amount accumulated as revaluation surplus in equity; eventual remaining part of decrease in revalued amount is recognised in profit or loss;
- accumulated depreciation is eliminated against gross carrying amount of the asset.

Deferred tax asset or liability is recognised from the difference between revalued amount and tax base of an asset. Deferred tax is recognized in equity or in profit or loss, in the same manner as the revaluation itself.

Revalued asset is depreciated on a straight-line basis, revaluation surplus is released to retained earnings as the asset is depreciated. If the revalued asset is derecognised or sold, the revaluation surplus as a whole is transferred to retained earnings. These transfers are made directly in equity and do not affect other comprehensive income.

It is to note that the gas distribution assets have already been reported in the local statutory accounts of SPPD using the IAS 16 Revaluation model. The other fixed assets of the EPH Group (incl. SPPD's fixed assets other than distribution pipeline assets) will still be reported using IAS 16 Cost model, but the Group cannot exclude that it will in the future change the accounting policy for other critical fixed assets as well.

As of 1 January 2020, SPPD's distribution pipeline system had a carrying value of EUR 2,051 million under the Cost model and EUR 3,813 million under the Revaluation model. Revaluation of assets was recorded without effect on prior periods. The difference of EUR 1,762 million with a corresponding deferred tax impact of EUR 447 million was recognized as a current period revaluation under IAS 16 and reported in other comprehensive income for the period. In subsequent revaluation, the changes will be recognised as follows:

#### 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 INVESTEEES

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

### ACQUISITION METHOD AND PURCHASE PRICE ALLOCATION

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

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

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

## IV. NON-CONTROLLING INTERESTS

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

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

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

## V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in

the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## VI. UNIFICATION OF ACCOUNTING POLICIES

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

## VII. PRICING DIFFERENCES

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

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

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

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

## IX. DISPOSAL OF SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES

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

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

If the Group disposes of a subsidiary that was acquired under a common control transaction and pricing differences were recognised on the acquisition (refer to Note 3(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 36 – 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 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 classified by the Group as financial asset at amortised cost.

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

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

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

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

A financial asset is measured at *fair value through profit or loss* unless it is measured at amortised cost or at fair value through other comprehensive income. The key type of financial assets measured at fair value through profit or loss by the Group are derivatives and certain equity instruments held for trading.

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

## II. RECOGNITION

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

## III. MEASUREMENT

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

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

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

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

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest

rate method. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

#### IV. DERECOGNITION

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

#### V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

#### 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, i.e. is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

##### SEPARABLE EMBEDDED DERIVATIVES

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

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

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

#### CASH FLOW HEDGES AND FAIR VALUE HEDGES

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

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

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

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

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

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

#### TRANSACTIONS WITH EMISSION RIGHTS AND ENERGY

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

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

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

Contracts which do not meet above mentioned conditions fall under the scope of IFRS 9 and are accounted for in line with the requirements of IFRS 9. 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 (l) – Inventories), investment properties (refer to accounting policy (m) – 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 and is not larger than operating segment before aggregation. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

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

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

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

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

elected to measure loss allowances at an amount equal to lifetime ECLs.

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

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

- (a) a financial asset or its significant portion is overdue for more than 30 days (if a financial asset or its significant portion is overdue for more than 30 days and less than 90 days, and the delay does not indicate an increase in counterparty credit risk, the individual approach is used and the financial asset is classified in Stage I); or
- (b) the Group negotiates with the debtor in a financial difficulty about debt's restructuring (at the request of the debtor or the Company); or
- (c) the probability of default ("PD") of the debtor increases by 20%; or
- (d) other material events occur which require individual assessment (e.g., development of external ratings of sovereign credit risk).

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



- (a) a financial asset or its significant part is overdue for more than 90 days; or
- (b) legal action has been taken in relation to the debtor which outcome or the actual process may have an impact on the debtor's ability to repay the debt; or
- (c) insolvency proceedings or similar proceedings under the foreign legislation have been initiated in respect of the debtor, which may lead to a declaration of bankruptcy and the application for the opening of this proceeding has not been refused or rejected or the proceedings have not been discontinued within 30 days of initiation ((b) and (c) are considered as "Default event"); or
- (d) the probability of default of the borrower increases by 100% compared to the previous rating (not relevant condition in ECL model for intercorporate loans and receivables); or
- (e) other material events occur which require individual assessment (e.g. development of external ratings of sovereign credit risk).

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

#### PRESENTATION OF LOSS ALLOWANCES

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

### III. EQUITY ACCOUNTED INVESTEEES

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 – COST MODEL

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

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

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

### II. OWNED ASSETS – REVALUATION MODEL

Gas transmission pipelines of eustream, a.s. and gas distribution pipelines in SPP – distribúcia, a.s. are held under revaluation model. The assets are carried at revalued amount, which is fair value at

the date of revaluation less accumulated subsequent depreciation and impairment. Revaluation is made with sufficient regularity, at least every 5 years. Revaluation is always applied to the entire class of property, plant and equipment the revalued asset belongs to.

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

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

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

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

### III. FREE-OF-CHARGE RECEIVED PROPERTY

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

obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

### IV. SUBSEQUENT COSTS

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

### V. DEPRECIATION

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

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

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

## 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/ bargain purchase) 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 2020 and 2019, expenditures incurred by the Group did not meet these recognition criteria. Development expenditure has thus been recognised in profit or loss.

## III. EMISSION RIGHTS

### RECOGNITION AND MEASUREMENT

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

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

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

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

## IMPAIRMENT OF EMISSION RIGHTS

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

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

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

## RECOGNITION OF GRANTS

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

## RECOGNITION, MEASUREMENT OF PROVISION

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

It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It means that the provision

is measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, by using a FIFO method. The Group companies identify (in each provision measurement period) which of the certificates are "marked for settling" the provision and this allocation is consistently applied.

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

## IV. SOFTWARE AND OTHER INTANGIBLE ASSETS

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

## N PROVISIONS

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

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

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

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

## I. EMPLOYEE BENEFITS

### LONG-TERM EMPLOYEE BENEFITS

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

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

#### *Pension plans*

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

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

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

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

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

### SHORT-TERM EMPLOYEE BENEFITS

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

## II. PROVISION FOR LAWSUITS AND LITIGATIONS

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

## III. PROVISION FOR EMISSION RIGHTS

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

## IV. RESTRUCTURING

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

## V. ASSET RETIREMENT OBLIGATION AND PROVISION FOR ENVIRONMENTAL REMEDIATION

Certain property, plant and equipment of conventional and renewable power plants, 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.

## 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 model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending

on the criteria for meeting the performance obligation, the revenue is recognised:

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

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

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

- *Sale of gas, electricity, heat or other energy products (energy products)*

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

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

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

Where the Group acts as energy provider it was analysed if the distribution service invoiced is recognised as revenue from customers under IFRS 15. Judgement may be required to determine whether the Group acts as principal or agent in

those cases. It has been concluded that the Group acts as a principal because it has the inventory risk for distribution services, and therefore materially all distribution services which are billed to its customers as part of the revenues from energy delivery are presented gross in the statement of comprehensive income.

- *Gas and electricity infrastructure services*

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

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

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

The Group has evaluated that the several items of gas and electricity equipment (typically connection terminals) obtained "free of charge" from developers and from local authorities does not represent a grant (because in such cases the local authorities act in the role of a developer) and do not constitute a distinct performance obligation. This equipment is recorded

as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to distribute energy to the customers (a non-cash consideration). These costs approximate the fair value of the obtained assets.

- *Grid balancing services*

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

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

- *Coal mining and sale of coal*

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

differences in volume or quality of delivered products, this is reflected as reduction or increase in sales revenue recognised on the sale transaction.

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

• *Logistics and freight services*

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

## II. DERIVATIVES WHERE THE UNDERLYING ASSET IS A COMMODITY

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

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

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

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

## III. RENTAL INCOME

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

## 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.

## V SEGMENT REPORTING

Due to the fact that the Group issued debentures (Senior Secured Notes) which were listed on the Stock Exchange (Burza cenných papírů Praha, a.s. and The Irish Stock Exchange plc, now trading as Euronext Dublin), the Group reports segmental information in accordance with IFRS 8.

Segment results that are reported to the Group's Board of Directors (the chief operating decision maker) include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The support is provided by four executive committees: a strategic committee, an investment committee, a risk management committee and a compliance committee.

## 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### A PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is based on three different approaches which may be employed to determine the fair value:

*Market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables.

*Income approach* converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

*Cost approach* is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction cost. The depreciated replacement cost approach involves establishing the gross current replacement cost of the asset, and

then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset, the estimated residual value at the end of the asset's working life and the loss in service potential.

IFRS 13 requires fair value measurements of assets to assume the highest and best use of the asset by market participants, provided that the use is physically possible, financially feasible and not illegal. Highest and best use might differ from the intended use by an individual acquirer. Although all three valuation approaches should be considered in the valuation analysis, the fact pattern surrounding each business combination, the purpose of valuation, the nature of the assets, and the availability of data dictate which approach or approaches including accounting-oriented approaches are ultimately utilized to calculate the value of each tangible asset.

Selected items of property, plant and equipment – gas transmission pipeline owned and operated by eustream, a.s. and gas distribution pipelines owned and operated by SPP – distribúcia, a.s. ("SPPD") – are recognized in revalued amount in accordance with IAS 16 since 1 January 2019 and 1 January 2020 respectively. The revalued amount represents the fair value as at the date of the most recent revaluation, net of any subsequent accumulated depreciation and subsequent accumulated impairment. The most recent revaluation was prepared as at 1 August 2019 for eustream, a.s. and as at 1 August 2018 for SPPD by an independent expert and will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognised on the balance sheet date using fair values.

Each revaluation was conducted by an independent expert who used mainly the depreciated replacement cost approach supported by the market approach for some types of asset. In general, the replacement cost method was used and the indexed historical cost method for assets where reproductive rates were not available. By determining the fair value of individual assets with the cost approach, physical deterioration, plus technological and economic obsolescence of assets was acknowledged.

The assumptions used in the revaluation model are based on the reports of the independent appraisers. The resulting reported amounts of these assets

and the related revaluation surplus of assets do not necessarily represent the value in which these assets could or will be sold. There are uncertainties about future economic conditions, changes in technology and the competitive environment within the industry, which could potentially result in future adjustments to estimated revaluations and useful lives of assets that can significantly modify the reported financial position and profit. For further information, refer to Note 16 – Property, plant and equipment.

### B INTANGIBLE ASSETS

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

### C INVESTMENT PROPERTY

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

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

**D INVENTORIES**

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

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

**E NON-DERIVATIVE FINANCIAL ASSETS**

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

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

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

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

**F NON-DERIVATIVE FINANCIAL LIABILITIES**

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

**G DERIVATIVES**

The fair value of forward electricity, gas and emission rights contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on zero coupon rates).

The fair value of interest rate swaps is based on broker quotes or internal valuations based on market prices. Those quotes or valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of other derivatives (exchange rate, commodity, foreign CPI indices) embedded in a contract is estimated by discounting the difference between the forward values and the current values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon rates).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## 5. Operating segments

EPH is a leading Central European energy group that owns and operates assets in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Ireland, France, Switzerland, Poland and Hungary. EPH is vertically integrated and covers the complete value chain in the energy sector ranging from electricity and heat production from renewable and conventional sources, including highly efficient cogeneration, electricity and heat distribution, electricity and gas trading and supply to final consumers, coal extraction and, last but not least, EPH is an important regional player in various segments of the gas industry, including gas transmission, gas distribution and gas storage. In addition, EPH also operates in logistics and in commodity trading business.

EPH Group comprises over 70 companies structured in two pillars – EP Infrastructure (or “EPIF Group”) and EP Power Europe (or “EPPE Group”) – that are ringfenced and steered separately. Each group operates in reportable segments under IFRS 8 Operating Segments. The Group identifies its operating segments at the level of each legal entity, the Group management monitors the performance of each entity through monthly management reporting. Operating segments are aggregated to four reportable segments in EPIF Group (Gas Transmission, Gas and Power distribution, Gas Storage and Heat Infra) and two reportable segments in EPPE Group (Generation and Mining and Renewable Energy) mainly based on nature of the services provided. Each reportable segment aggregates entities with similar economic characteristics (type of services provided, commodities involved and regulatory environment). Reportable segments have been identified primarily on the basis of internal reports used by the Group's “Chief operating decision maker” (Board of Directors) to allocate resources to the segments and assess their performance. EPH seeks to achieve excellence in all aspects of its operations. Major indicators used by the Board of Directors to measure these segments' performance is operating profit before depreciation, amortization and negative goodwill (or “EBITDA”) and capital expenditures (emission rights, right-of-use assets and goodwill).

**EP INFRASTRUCTURE GROUP (“EPIF GROUP”)**

The EPIF Group is a leading European energy infrastructure utility focused on gas transmission, gas and power distribution, heat and power generation and gas storage. With principal operations in the Slovak Republic and the Czech Republic, EP Infrastructure is a unique entity with a large and diverse infrastructure asset base.

The EPIF Group operates critical energy infrastructure through various subsidiaries in five reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage, Heat Infra and Other.

**GAS TRANSMISSION**

The EPIF Group transports the natural gas (with the conditions ship or pay) through the Slovak Republic primarily based on a long-term contract concluded with a gas supplier located in Russia. The contract entitles this gas supplier to use the gas pipelines in accordance with a transport capacity needed for the transportation of natural gas to the customers in Central and Western Europe. The EPIF Group assessed the contractual conditions in the ship-or-pay arrangement and concluded that the arrangement does not include a derivative as the contract does not give flexibility to the EPIF Group that has always to provide its capacity to the customer. Revenue is recognised based on the contract (fixed element) and based on actual transmitted volume which drives the amount of gas-in-kind received from the shippers (see below).

eustream, a.s. provides access to the transmission network and transport services under this long-term contract. The most significant user (shipper) of this network is the gas supplier located in Russia, other clients are typically significant European gas companies transporting natural gas from Russia and Asia sites to Europe.



The largest part of the transmission capacity is used based on the long-term contracts. Furthermore, eustream, a.s. also concludes short term transportation contracts within the entry-exit system.

Transportation charges shall be reimbursed by the appropriate shipper directly to eustream, a.s. Since 2005 charges are fully regulated by Energy Regulatory Authority (“RONI”). The regulatory framework provides a stable and sustainable environment for the transmission business. The price regulation is based on benchmarking mechanism (price cap without a revenue ceiling), tariff is set on a basis of other EU operators, which create a range in which RONI sets a tariff. Once a contract is concluded it is fixed for a lifetime of the contract, only typically escalated based on inflation.

According to the regulated trade and price conditions the shipper provides part of charges in kind of natural gas used for operating purposes to cover the consumption of gas in the transmission network operation. In accordance with the regulated trade and price conditions the shipper is entitled to pay this part of charges also in cash.

Because of the contractual nature of the shipping arrangement with the Russian gas supplier, management carefully assessed the contractual conditions with the view of whether the contract contains lease as per IFRS 16, which could lead to a derecognition of the transmission pipelines. As there is no indication that the Russian gas supplier is in control of the asset and there are several other shippers using the asset, management concluded that no material indications of such leasing relationship were noted and that the transmission pipeline should be recognised in eustream’s fixed assets.

#### **GAS AND POWER DISTRIBUTION**

The Gas and power distribution segment consists of Power distribution division, Gas distribution division and Supply division. The Power distribution division distributes electricity in the central Slovakia region while Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power

and natural gas to end-consumers in the Czech Republic and Slovakia. This segment is mainly represented by Stredoslovenská energetika, a.s., SPP – distribúcia, a.s., Stredoslovenská distribučná, a.s. (further “SSD”) and EP ENERGY TRADING, a.s.

The subsidiary companies SPP – distribúcia and SSD, which provide distribution of natural gas and power, are required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of RONI. Both entities operate under similar regulatory frameworks whereby allowed revenues are based primarily on the Regulated Asset Base (“RAB”) multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years (current regulatory period 2017–2021 has been extended by one year to 2022).

Sales of natural gas to medium and large customers are subject to contracts for the delivery of gas concluded usually for one or more years. The prices agreed in the contracts usually include a capacity and commodity components.

With respect to SSE, RONI regulates certain aspects of the SSE’s relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Price of electricity (the commodity) is regulated for households and small business with the annual consumption up to 30 MWh where RONI sets a capped gross profit per MWh. The price of electricity for the wholesale customers is not regulated.

#### **GAS STORAGE**

The Gas storage segment is represented by NAFTA a.s., SPP Storage, s.r.o., POZAGAS a.s. and NAFTA Germany GmbH and its subsidiaries which store natural gas primarily under long-term contracts in underground storage facilities located in the Czech Republic, Slovakia and Germany.

The EPIF Group stores natural gas in two locations in the Czech Republic and Slovakia and three locations in Germany. The storage capacities are utilised for

injection, withdrawal and storage of natural gas according to seasonal needs to ensure the standards of security of supply based on the valid legislation and to utilise short-term market volatility of gas prices. Charges for storage are agreed upon the period of contracts. Fee for storage depends primarily on the booked capacity per year and annual price indexes, furthermore products with higher deliverability and flexibility are priced with premium.

#### **HEAT INFRA**

The Heat Infra segment owns and operates three large-scale combined heat and power plants (CHPs) in the Czech Republic primarily operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s. The heat generated in its co-generation power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the EPIF Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin. EP Sourcing, a.s. and EP Cargo a.s., as main suppliers of the above-mentioned entities, are also included in this segment. Pražská teplárenská a.s., which is operating the largest district heating system in the Czech Republic, supplying heat to the City of Prague, and three CHPs in Hungary, represented by Budapesti Erőmű Zrt., which is supplying the City of Budapest, were disposed in fourth quarter of 2020.

#### **EPIF OTHER**

The Other segment owns and operates three solar power plants, one wind farm and a minority interest in an another solar power plant in the Czech Republic. The EPIF Group also runs two solar power plants in Slovakia, and a biogas facility in Slovakia.

#### **EP POWER EUROPE GROUP (“EPPE GROUP”)**

EPPE Group focuses on development of a coherent power generation portfolio in Europe. With a total net installed capacity of ca. 10.6 GW (on consolidated basis, excluding equity-accounted investees) and

with a balanced portfolio of gas and coal fired power plants, as well as renewables in the form of solar, wind and biomass power plants, EPPE Group belongs to top power producers in Europe.

It specializes in power generation from conventional and renewable sources, lignite mining and the EPPE Group also operates as a trading house.

EPPE Group is divided into two reportable segments under IFRS 8: Generation and Mining (including generation activities in Italy, France, Germany, the UK and Ireland and mining activities in Germany), and Renewables (including activities in Germany, the UK, Italy and France).

#### **GENERATION AND MINING**

##### *Generation*

The Generation part of the segment is primarily represented by investments in assets that generate electricity in condensation mode and which are located in markets with an active capacity market (the UK, France and Italy), or it where is expected that such market shall be soon implemented.

##### **ITALY**

EP Produzione S.p.A. operates a total net installed capacity of 3.9 GW through four gas-fired power plants and one coal-fired power plant, making it one of the most relevant power generation players in the country. Its efficient and high-performance power stations are managed according to the highest environmental, safety and reliability standards, including the hard coal power plant Fiume Santo on the Sardinia island with an installed capacity of 599 MW which ensures local grid stability. The company operates four gas power plants – Livorno Ferraris, Ostiglia and Tavazzano Montanaso in the north of Italy and Trapani in Sicilia. The gas-fired power plant Scandale in Calabria, which has a capacity of 814 MW, is managed by Ergosud S.p.A., a joint venture between EPH and A2A.

## FRANCE

EPPE through its subsidiary Gazel Energie Generation S.A.S., operates two coal power generation units with an installed capacity of 1,190 MW, one located in Provence (expected to be decommissioned in 2021), the second one near Saint-Avoid (expected to be decommissioned in 2022) and 150 MW biomass power plant in Provence. In addition, it operated two combined cycle gas turbines with a total capacity of 828 MW located near Saint-Avoid until September 2020 when they were disposed (for more details refer to Note 6(d)). The biomass power plant has the power demand secured by a long-term PPA contract. Through its subsidiaries Gazel Energie Generation S.A.S. and Gazel Energie Solutions S.A.S., it is also active in electricity and gas retail supply for Industrial and Commercial (“I&C”) and small-to-medium enterprises (“SME”) customers.

## GERMANY

Kraftwerk Mehrum GmbH operates a coal-fired power plant near Hanover with a net installed capacity of 690 MW. The power plant has a very flexible design, which means that the net operating range of the power plant can be between 150 MW and 690 MW.

Via Saale Energie GmbH, EPPE indirectly owns 42% of the lignite power plant Schkopau, while Uniper Kraftwerke GmbH owns 58%. The power plant provides 400 MW of electric capacity to Vattenfall as well as power and heat to Dow Chemical and Deutsche Bahn via Uniper contracts.

Helmstedter Revier GmbH operated a lignite power plant Buschhaus, which had been in security stand-by mode from 2016 till Q3 2020 and is now being decommissioned.

LEAG Holding a.s. (“LEAG”) is the largest power plant operator in eastern Germany operating an installed capacity of 7,610 MW and is also one of the largest private employers in the region. LEAG is a joint venture controlled by EPH and Gemcol Ltd., a subsidiary of PPF Investments Ltd., and it is consolidated by equity method. Via its subsidiary Lausitz Energie Kraftwerke AG, LEAG operates lignite power plants Jänschwalde, Schwarze Pumpe,

Boxberg and block R of the Lippendorf power plant. LEAG is also expanding its business areas into future-oriented energy technologies in the fields of renewable energy and electricity storage. Currently, an electricity storage facility with a capacity of 53 MW was completed in December 2020 at the Schwarze Pumpe site. The company Transport- und Speditionsgesellschaft Schwarze Pumpe mbH, is a full-service provider for logistics, material and warehouse management. The planning and service company GMB GmbH provides industrial services in the fields of mining, engineering as well as electricity and heat generation.

## THE UK

EP Langage Limited is a gas-fired power station located near Plymouth, Devon. Construction of the site started in 2008 and was commissioned in 2010. The total site capacity is 905 MW. The high-pressure steam system enables market leading efficiency (51.5%), its flexible design is capable of 2-shift operation and low minimum load, enhancing plant option value, and the 2 to 1 configuration provides increased flexibility to the National Grid, the UK’s high voltage electricity transmission network, for alternative services helping grid stability. A significant part of the gross margin comes from fixed capacity market contracts.

EP SHB Limited is a gas-fired power station located near Stallingborough. The total installed capacity of the power plant is 1,365 MW. The site consists of Phase 1 and Phase 2, which are separate power plants with one combined cooling systems and flexible design capable of 2-shift operation and minimum load, enhancing plant option value. A significant part of the gross margin comes from fixed capacity market contracts.

EP Kilroot Limited is a coal-fired power station located in Northern Ireland with the total capacity of 655 MW including 141 MW OCGT unit and 10 MW battery storage facility. Coal units in the Kilroot plant are expected to be decommissioned in September 2023. The Kilroot brownfield site represents an opportunity to develop new OCGT generation capacity supported by already awarded capacity contracts and additional battery storage.

EP Ballylumford Limited is a power station located in Northern Ireland with a total capacity of 683 MW and operates a mix of flexible gas fired CCGT and distillate fired OCGT units. The highly flexible CCGT can operate in several different modes and has the lowest minimum generation for CCGT on the Irish market. Currently, it is fully contracted under PPA (Power Purchase Agreement) with the Power Procurement Board until September 2023.

In March 2020, the Group completed the acquisition of Humbly Grove Energy Limited, which owns and operates an underground gas storage facility in Hampshire, UK with capacity of 2.7 TWh of gas (for more details refer to Note 6(a)).

## IRELAND

Tynagh Energy Limited is a power producer in the Republic of Ireland that owns 384 MW CCGT power plant (dual fuel natural gas and distillate) in east County Galway. The plant was commissioned in 2006 and its estimated life span is approximately 30 years. The power plant is in a unique position of being the only independent CCGT plant on the Irish market and provides a flexible daily electricity production to the wholesale electricity market.

*Mining*

The Mining part of the segment is represented by companies operating in Germany.

Mitteldeutsche Braunkohlengesellschaft (“MIBRAG”) has its activities focused on the south of Saxony-Anhalt region, where it operates Profen open-cast mine, and in Saxony, where it operates Schleenhein open-cast mine. The produced lignite is supplied to power plants under long-term supply agreements. Two biggest customers are Lippendorf and Schkopau power plants. MIBRAG is the sole shareholder of companies GALA-MIBRAG-Service GmbH, Bohr- und Brunnenbau GmbH, MIBRAG Consulting International GmbH and MIBRAG Neue Energie GmbH. The company holds shares in three other entities offering a wide range of services from energy generation, landscaping to civil engineering, disposal and mine engineering services.

Lausitz Energie Bergbau AG (“LEAG”) operates four Lusatian opencast mines Jänschwalde, Welzow-Süd, Nochten and Reichwalde. They produce around 40 million tonnes of lignite per year to supply the power plants Jänschwalde, Schwarze Pumpe and Boxberg as well as the refining plant Schwarze Pumpe. Briquette, pulverized lignite and fluidized-bed lignite are processed from the raw material here. The lignite is transported using the company’s own central railway network, which is 360 km long.

## THE CZECH REPUBLIC

EP Commodities, a.s. (“EPC”) specializes in trading of energy commodities, transit and storage capacities. EPC deals with transactions in natural gas, power, emissions allowances and structural products like spreads across Europe. EPC focuses on countries where the EPH Group has its assets, or where liquidity enables efficient trading. Besides physical trading, EPC realizes financial hedging of assets as well as sourcing portfolio of end-users in EPH Group companies.

## SWITZERLAND

EP Resources AG, located in Switzerland, with offices in Singapore and Germany, handles the procurement of commodities, biomass and freight requirements of EPH’s power facilities located in Germany, Italy, France and the UK. EP Resources is a growing global franchise across energy, leveraging EPH’s in-house demand to offer global clients a portfolio of trading, marketing, freight and logistic services across commodities, biomass and freight and thereby adding value to global clients.

**RENEWABLE ENERGY**

## GERMANY

In 2010, MIBRAG Neue Energie GmbH put into operation the “Am Geyersberg” wind farm on the site of the Schleenhain mine near Groitzsch, Saxony, with a total installed capacity of 6.9 MW. The wind farm consists of 3 Siemens wind turbines. The company strives for further development of wind power in area of surface mines owned by MIBRAG.

## THE UK

In 2016, EP UK Investments Ltd (“EPUKI”) acquired Lynemouth Power Limited, the owner and operator of a coal-fired power station in Northumberland (original coal-fired installed capacity 420 MW). Lynemouth holds a Contract for Difference contract for full biomass conversion and EPUKI has progressed this, including managing the construction, fuel supply and financing workstreams. The biomass conversion has incurred capital expenditure in excess of GBP 350 million and it was commissioned in autumn 2019. Lynemouth is the largest 100% biomass fired power station in the UK with net installed capacity of 407 MW.

## ITALY

The biomass-fired power plant Strongoli, owned and operated by Biomasse Italia S.p.A., acquired by EP New Energy Italia S.r.l. in December 2017, is situated in the central-eastern part of Calabria. With a total capacity of 46 MW, it is one of the most modern biomass-fired power plants in Europe. The plant is mainly fuelled with biomass made of wood chips, derived from forest maintenance and agro-food residuals coming from local and national markets.

The biomass-fired power plant Crotone, owned and operated by Biomasse Crotone, acquired by EP New Energy Italia S.r.l. in December 2017, is situated in the central-eastern part of Calabria. Crotone is a biomass-fired power plant with a total capacity of 27 MW. The plant is mainly fuelled with biomass made of wood chips, derived from forest maintenance and agro-food residuals coming from local and national markets.

Fusine Energia operates a biomass power plant in Fusine, province of Sondrio, with an installed capacity of 6 MW. This power plant was acquired by EPH Group in February 2019.

## FRANCE

Renewable energy portfolio in France comprises six wind farms with total capacity of 82 MW operated by Aerodis, S.A. and Gazel Energie Renouvelables S.A.S., and two solar parks with a total capacity of 11 MW operated by Gazel Energie Solaire S.A.S. All renewable sources in France have their power demand secured by long-term PPA contracts.

## THE REST OF EPH GROUP

## EPH OTHER

The segment EPH Other consists of companies which are not managed within EPIF or EPPE Group.

The main entity within this segment is Slovenské elektrárne, a.s. and its subsidiaries, consolidated by equity method with 33% share of the Group. Slovenské elektrárne, a.s. is the largest electricity producer in the Slovak Republic, operating two nuclear, two coal-fired, 31 hydroelectric and two photovoltaic power plants, generating 65% of the country's total electricity production. With a net installed capacity of 3,820 MW, it is one of the largest electricity producers in Central and Eastern Europe. Its unique portfolio enables it to produce almost 95% of electricity without greenhouse gases, avoiding 15 million tons of carbon dioxide emissions every year. The company is currently completing units 3 and 4 of the Mochovce Nuclear Power Plant, which is one of only three nuclear power plant constructions currently underway in Europe.

Other entities in this segment primarily include EP Cargo Deutschland GmbH, EP CARGO POLSKA, S.A., EP Resources CZ a.s. (former EP Coal Trading a.s.), EP Coal Trading Polska s.a. (in 2021 renamed to EP Resources PL S.A.), Lokotrain s.r.o., LOCON Logistik & Consulting AG, EP Cargo Trucking (former EOP HOKA) Group and SPEDICA Group, which arrange complex logistical solutions for other Group segments as well as for third parties.

## HOLDING ENTITIES

The Holding entities segment is mainly represented by Energetický a průmyslový holding, a.s., EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s., Czech Gas Holding Investment B.V., EP Power Europe, a.s., EPPE Germany a.s., LEAG Holding, a.s., NADURENE 2, a.s. (merged in 2020), EP New Energy Italia S.r.l., EP France S.A.S., EP Yuzivska B.V., EP Slovakia B.V., and Slovak Power Holding B.V.

The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries and associates.

# PROFIT OR LOSS

## FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	EPIF Group				
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other
Sales: Energy	744	1,702	293	543	5
<i>external revenues</i>	720	1,663	254	457	5
<i>of which: electricity</i>	-	1,107	-	132	5
<i>gas</i>	720	556	254	-	-
<i>heat</i>	-	-	-	325	-
<i>coal</i>	-	-	-	-	-
<i>other energy products</i>	-	-	-	-	-
<i>inter-segment revenues</i>	24	39	39	86	-
Sales: Logistics and freight services	-	-	-	17	-
<i>external revenues</i>	-	-	-	11	-
<i>inter-segment revenues</i>	-	-	-	6	-
Sales: Other	-	7	-	14	6
<i>external revenues</i>	-	7	-	13	5
<i>inter-segment revenues</i>	-	-	-	1	1
Gain (loss) from commodity and freight derivatives, net	-	8	-	-	-
<b>Total sales</b>	<b>744</b>	<b>1,717</b>	<b>293</b>	<b>574</b>	<b>11</b>
Cost of sales: Energy	(24)	(995)	(33)	(284)	-
<i>external cost of sales</i>	(22)	(770)	(25)	(272)	-
<i>inter-segment cost of sales</i>	(2)	(225)	(8)	(12)	-
Cost of sales: Other	-	(1)	1	(21)	(3)
<i>external cost of sales</i>	-	(1)	1	(21)	(3)
<i>inter-segment cost of sales</i>	-	-	-	-	-
Personnel expenses	(30)	(108)	(31)	(66)	(1)
Depreciation and amortisation	(130)	(220)	(31)	(76)	(3)
Repairs and maintenance	(1)	(4)	-	(13)	-
Emission rights, net	(2)	-	-	(73)	-
Negative goodwill	-	-	-	-	-
Taxes and charges	(1)	(1)	(2)	(4)	-
Other operating income	3	16	-	44	2
Other operating expenses	(14)	(54)	(10)	(27)	(5)
Own work, capitalized	3	21	-	11	-
<b>Operating profit</b>	<b>548</b>	<b>371</b>	<b>187</b>	<b>65</b>	<b>1</b>

EPPE Group						
Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
4,340	529	2	8,158	-	(290)	7,868
4,238	529	2	7,868	-	-	7,868
3,349	524	-	5,117	-	-	5,117
671	-	-	2,201	-	-	2,201
3	-	1	329	-	-	329
210	-	-	210	-	-	210
5	5	1	11	-	-	11
102	-	-	290	-	(290)	-
161	-	122	300	-	(20)	280
161	-	108	280	-	-	280
-	-	14	20	-	(20)	-
137	21	130	315	4	(11)	308
136	21	124	306	2	-	308
1	-	6	9	2	(11)	-
66	-	-	74	-	1	75
<b>4,704</b>	<b>550</b>	<b>254</b>	<b>8,847</b>	<b>4</b>	<b>(320)</b>	<b>8,531</b>
(3,118)	(292)	(13)	(4,759)	-	289	(4,470)
(3,078)	(292)	(11)	(4,470)	-	-	(4,470)
(40)	-	(2)	(289)	-	289	-
(186)	(70)	(165)	(445)	-	20	(425)
(171)	(70)	(160)	(425)	-	-	(425)
(15)	-	(5)	(20)	-	20	-
(339)	(19)	(27)	(621)	(14)	-	(635)
(230)	(78)	(15)	(783)	-	-	(783)
(53)	(7)	(7)	(85)	-	-	(85)
(326)	-	-	(401)	-	-	(401)
9	-	-	9	-	-	9
(116)	(2)	(1)	(127)	(1)	-	(128)
81	2	15	163	3	(19)	147
(245)	(39)	(30)	(424)	(30)	32	(422)
3	-	-	38	-	-	38
<b>184</b>	<b>45</b>	<b>11</b>	<b>1,412</b>	<b>(38)</b>	<b>2</b>	<b>1,376</b>

**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

In millions of EUR

	EPIF Group				
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other
Finance income	1	3	2	2	-
<i>external finance revenues</i>	1	2	1	-	-
<i>inter-segment finance revenues</i>	-	1	1	2	-
Finance expense	(40)	(17)	(6)	21	(1)
Profit (loss) from financial instruments	(8)	2	(1)	2	-
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	1
Gain (loss) on disposal of subsidiaries	-	-	-	79	-
<b>Profit (loss) before income tax</b>	<b>501</b>	<b>359</b>	<b>182</b>	<b>169</b>	<b>1</b>
Income tax expenses	(128)	(91)	(43)	(13)	-
<b>Profit (loss) for the year</b>	<b>373</b>	<b>268</b>	<b>139</b>	<b>156</b>	<b>1</b>

\* EUR 984 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s., EP Power Europe, a.s. and EP Energy, a.s.

**Other financial information:**

EBITDA <sup>(1)</sup>	678	591	218	141	4
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(1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For EBITDA reconciliation to the closest IFRS measure explanation see below.

EPPE Group						
Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
24	4	17	53	*1,064	*(1,080)	37
4	1	1	10	27	-	37
20	3	16	43	*1,037	*(1,080)	-
(41)	(14)	(19)	(117)	(250)	88	(279)
7	8	(41)	(31)	(46)	6	(71)
67	-	22	90	-	-	90
36	-	3	118	705	-	823
<b>277</b>	<b>43</b>	<b>(7)</b>	<b>1,525</b>	<b>1,435</b>	<b>(984)</b>	<b>1,976</b>
(41)	(11)	(2)	(329)	9	-	(320)
<b>236</b>	<b>32</b>	<b>(9)</b>	<b>1,196</b>	<b>1,444</b>	<b>(984)</b>	<b>1,656</b>
405	123	26	2,186	(38)	2	2,150

For the year ended 31 December 2019<sup>(1)</sup>

In millions of EUR

	EPIF Group				
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other
Sales: Energy	826	1,880	253	627	6
<i>external revenues</i>	790	1,804	220	528	5
<i>of which: electricity</i>	-	1,277	-	137	5
<i>gas</i>	790	527	220	-	-
<i>heat</i>	-	-	-	391	-
<i>coal</i>	-	-	-	-	-
<i>other energy products</i>	-	-	-	-	-
<i>inter-segment revenues</i>	36	76	33	99	1
Sales: Logistics and freight services	-	-	-	25	-
<i>external revenues</i>	-	-	-	18	-
<i>inter-segment revenues</i>	-	-	-	7	-
Sales: Other	-	7	-	18	6
<i>external revenues</i>	-	7	-	18	5
<i>inter-segment revenues</i>	-	-	-	-	1
Gain (loss) from commodity and freight derivatives, net	-	9	-	-	-
<b>Total sales</b>	<b>826</b>	<b>1,896</b>	<b>253</b>	<b>670</b>	<b>12</b>
Cost of sales: Energy	(48)	(1,207)	(29)	(369)	-
<i>external cost of sales</i>	(46)	(971)	(27)	(346)	-
<i>inter-segment cost of sales</i>	(2)	(236)	(2)	(23)	-
Cost of sales: Other	-	(1)	(1)	(21)	(4)
<i>external cost of sales</i>	-	(1)	(1)	(21)	(4)
<i>inter-segment cost of sales</i>	-	-	-	-	-
Personnel expenses	(31)	(104)	(31)	(70)	(2)
Depreciation and amortisation	(130)	(159)	(29)	(83)	(3)
Repairs and maintenance	(1)	(4)	-	(10)	-
Emission rights, net	-	2	-	(41)	-
Negative goodwill	-	-	-	-	-
Taxes and charges	(1)	(1)	(4)	(3)	-
Other operating income	3	17	-	37	-
Other operating expenses	(17)	(91)	(14)	(26)	(2)
Own work, capitalized	4	21	1	10	-
<b>Operating profit</b>	<b>605</b>	<b>369</b>	<b>146</b>	<b>94</b>	<b>1</b>

EPPE Group		EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Generation and Mining	Renewable Energy					
4,344	489	3	8,428	-	(317)	8,111
4,272	489	3	8,111	-	-	8,111
3,244	489	-	5,152	-	-	5,152
805	-	-	2,342	-	-	2,342
3	-	1	395	-	-	395
216	-	-	216	-	-	216
4	-	2	6	-	-	6
72	-	-	317	-	(317)	-
1	-	94	120	-	(14)	106
1	-	87	106	-	-	106
-	-	7	14	-	(14)	-
144	24	269	468	7	(130)	345
143	24	147	344	1	-	345
1	-	122	124	6	(130)	-
4	-	-	13	-	(3)	10
<b>4,493</b>	<b>513</b>	<b>366</b>	<b>9,029</b>	<b>7</b>	<b>(464)</b>	<b>8,572</b>
(3,298)	(295)	(12)	(5,258)	-	330	(4,928)
(3,234)	(295)	(9)	(4,928)	-	-	(4,928)
(64)	-	(3)	(330)	-	330	-
(38)	(40)	(293)	(398)	(2)	118	(282)
(38)	(40)	(175)	(280)	(2)	-	(282)
-	-	(118)	(118)	-	118	-
(269)	(17)	(24)	(548)	(13)	-	(561)
(199)	(81)	(10)	(694)	-	-	(694)
(52)	(6)	(3)	(76)	-	-	(76)
(307)	-	-	(346)	-	-	(346)
31	-	-	31	8	-	39
(89)	(2)	-	(100)	(2)	-	(102)
85	2	9	153	2	(19)	136
(206)	(36)	(19)	(411)	(24)	34	(401)
3	-	-	39	-	-	39
<b>154</b>	<b>38</b>	<b>14</b>	<b>1,421</b>	<b>(24)</b>	<b>(1)</b>	<b>1,396</b>

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



For the year ended 31 December 2019<sup>(1)</sup> (CONTINUED)

In millions of EUR

	EPIF Group				
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other
Finance income	1	-	3	8	-
<i>external finance revenues</i>	-	-	1	4	-
<i>inter-segment finance revenues</i>	1	-	2	4	-
Finance expense	(45)	(18)	(8)	(14)	(1)
Profit (loss) from financial instruments	2	(2)	(3)	(6)	-
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-
Gain (loss) on disposal of subsidiaries	-	-	-	-	-
<b>Profit (loss) before income tax</b>	<b>563</b>	<b>349</b>	<b>138</b>	<b>81</b>	<b>-</b>
Income tax expenses	(152)	(87)	(35)	(16)	-
<b>Profit (loss) for the year</b>	<b>411</b>	<b>262</b>	<b>103</b>	<b>65</b>	<b>-</b>

\* EUR 1,001 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s. EP Power Europe, a.s. and EP Energy, a.s.

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

<b>Other financial information:</b>					
EBITDA <sup>(1)(2)</sup>	735	528	175	177	4

(1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For EBITDA reconciliation to the closest IFRS measure explanation see below.

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

EPPE Group						
Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
31	5	13	61	*1,147	*(1,119)	89
15	1	2	23	66	-	89
16	4	11	38	*1,081	*(1,119)	-
(35)	(21)	(12)	(154)	(171)	114	(211)
(14)	9	(51)	(65)	(252)	8	(309)
135	.	40	175	-	-	175
-	-	-	-	1	-	1
<b>271</b>	<b>31</b>	<b>5</b>	<b>1,438</b>	<b>701</b>	<b>(998)</b>	<b>1,141</b>
(32)	(13)	(3)	(338)	-	-	(338)
<b>239</b>	<b>18</b>	<b>2</b>	<b>1,100</b>	<b>701</b>	<b>(998)</b>	<b>803</b>

322	119	24	2,084	(32)	(1)	2,051
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**EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE**

It must be noted that EBITDA is not a measure that is defined under IFRS. This measure is construed as determined by the Board of Directors and is presented to disclose additional information to measure the economic performance of the Group's business activities. This term 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. This non-IFRS measure should not be used in isolation. This measure may not be comparable to similarly titled measures used by other companies.

**FOR THE YEAR ENDED 31 DECEMBER 2020**

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Profit from operations	548	371	187	65	1	184	45	11	1,412	(38)	2	1,376
Depreciation and amortisation	130	220	31	76	3	230	78	15	783	-	-	783
Negative goodwill	-	-	-	-	-	(9)	-	-	(9)	-	-	(9)
<b>EBITDA</b>	<b>678</b>	<b>591</b>	<b>218</b>	<b>141</b>	<b>4</b>	<b>405</b>	<b>123</b>	<b>26</b>	<b>2,186</b>	<b>(38)</b>	<b>2</b>	<b>2,150</b>

**FOR THE YEAR ENDED 31 DECEMBER 2019<sup>(1)</sup>**

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Profit from operations	605	369	146	94	1	154	38	14	1,421	(24)	(1)	1,396
Depreciation and amortisation	130	159	29	83	3	199	81	10	694	-	-	694
Negative goodwill	-	-	-	-	-	(31)	-	-	(31)	(8)	-	(39)
<b>EBITDA</b>	<b>735</b>	<b>528</b>	<b>175</b>	<b>177</b>	<b>4</b>	<b>322</b>	<b>119</b>	<b>24</b>	<b>2,084</b>	<b>(32)</b>	<b>(1)</b>	<b>2,051</b>

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

**NON-CURRENT ASSETS AND LIABILITIES****FOR THE YEAR ENDED 31 DECEMBER 2020**

In millions of EUR

	Gas Transmission	Gas and Power Distribution <sup>(1)</sup>	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Reportable segment assets	4,413	5,834	959	819	29	5,265	878	841	19,038	2,655	(3,641)	18,052
Reportable segment liabilities	(2,383)	(1,963)	(517)	(329)	(17)	(4,585)	(560)	(596)	(10,950)	(5,356)	3,641	(12,665)
Additions to tangible and intangible assets	45	88	9	134	-	513	6	81	876	-	-	876
Additions to tangible and intangible assets (excl. emission rights, right-of-use assets and goodwill)	40	84	9	74	-	149	6	29	391	-	-	391
Equity accounted investees	-	1	-	-	1	790	16	194	1,002	-	-	1,002

(1) Gas distribution pipelines held by Gas and Power Distribution segment were revalued to fair value in 2020.

**FOR THE YEAR ENDED 31 DECEMBER 2019<sup>(1)</sup>**

In millions of EUR

	Gas Transmis- sion <sup>(2)</sup>	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information
Reportable segment assets	4,736	4,155	911	1,263	35	5,397	981	670	18,148	3,098	(4,557)	16,689
Reportable segment liabilities	(2,606)	(1,576)	(530)	(468)	(34)	(4,836)	(655)	(425)	(11,130)	(6,154)	4,557	(12,727)
Additions to tangible and intangible assets	72	87	12	128	-	369	21	32	721	-	-	721
Additions to tangible and intangible assets (excl. emission rights, right-of-use assets and goodwill)	69	85	11	57	-	111	21	10	364	-	-	364
Equity accounted investees	-	1	-	1	1	749	13	192	957	-	-	957

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

(2) Gas transmission pipelines held by Gas Transmission segment were revalued to fair value in 2019.

INFORMATION ABOUT GEOGRAPHICAL AREAS

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total segments
Property, plant and equipment	730	9,263	647	396	856	100	102	-	-	12,094
Intangible assets and goodwill	178	34	34	39	80	6	53	-	-	424
Investment property	3	-	-	-	-	-	-	-	-	3
Total	911	9,297	681	435	936	106	155	-	-	12,521

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total segments
Sales: Electricity	356	802	484	1,242	1,146	101	635	46	305	5,117
Sales: Gas	175	908	199	54	349	2	124	77	313	2,201
Sales: Heat	265	-	3	-	-	-	-	60	1	329
Sales: Coal	-	-	208	(1)	-	-	3	-	-	210
Sales: Other energy products	1	-	-	5	5	-	-	-	-	11
Sales: Logistics and freight services	46	3	69	2	3	-	-	1	156	280
Sales: Other	58	13	120	-	10	2	13	1	91	308
Gain (loss) from commodity and freight derivatives, net	66	16	45	(2)	33	-	(88)	1	4	75
Total	967	1,742	1,128	1,300	1,546	105	687	186	870	8,531

The geographical area Other comprises income items primarily from Switzerland and Luxembourg<sup>(1)</sup>.

(1) Revenues from Switzerland and Luxembourg include mainly derivative transactions on energy exchanges.

FOR THE YEAR ENDED 31 DECEMBER 2019<sup>(1)</sup>

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total segments
Property, plant and equipment	949	7,700	710	407	947	67	389	43	6	11,218
Intangible assets and goodwill	177	48	47	39	50	6	92	17	-	476
Investment property	3	-	-	-	-	-	-	-	-	3
Total	1,129	7,748	757	446	997	73	481	60	6	11,697

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Hungary	Other	Total segments
Sales: Electricity	403	945	460	1,246	1,154	21	496	41	386	5,152
Sales: Gas	254	885	167	(74)	379	-	94	126	511	2,342
Sales: Heat	313	-	3	-	-	-	-	77	2	395
Sales: Coal	-	-	216	-	-	-	-	-	-	216
Sales: Other energy products	2	-	-	-	4	-	-	-	-	6
Sales: Logistics and freight services	50	2	29	-	-	-	-	-	25	106
Sales: Other	78	21	138	1	23	1	8	1	74	345
Gain (loss) from commodity and freight derivatives, net	56	2	(105)	(21)	(14)	-	84	-	8	10
Total	1,156	1,855	908	1,152	1,546	22	682	245	1,006	8,572

The geographical area Other comprises income items primarily from Switzerland and Luxembourg<sup>(2)</sup>.

(1) Restated 2019 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 3.  
(2) Revenues from Switzerland and Luxembourg include mainly derivative transactions on energy exchanges.

## 6. Acquisitions and disposals of subsidiaries, joint ventures and associates

### A ACQUISITIONS AND STEP ACQUISITIONS

#### I. 31 DECEMBER 2020

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
<b>New subsidiaries</b>			
Humbly Grove Energy Limited and its subsidiary (Humbly Grove)	20/03/2020	100	100
Kinet s.r.o. and its subsidiary (Kinet)	21/10/2020	80	80
<b>Total</b>		-	-

#### HUMBLY GROVE ENERGY LIMITED

On 20 March 2020, EP UK Investments Limited (“EPUKI”), a subsidiary of EP Power Europe, a.s., acquired Humbly Grove Energy Limited (“Humbly Grove” or “HGEL”) from PETRONAS Energy Trading Limited. Humbly Grove owns and operates an underground gas storage facility in Hampshire, UK. With this acquisition, the EPH Group adds further to its portfolio of underground gas storage facilities, which it currently owns in the Czech Republic, Slovakia and Germany.

#### KINET S.R.O.

On 21 October 2020, the Group via its subsidiary Stredoslovenská distribučná, a.s. acquired 80% share in Kinet s.r.o. for EUR 3.3 million. The net assets of the company at the date of acquisition were EUR 2.8 million.

#### OTHER ACQUISITIONS

During 2020, the EPIF Group acquired 100% share (69% effective share of EPH Group) in companies Lirostana s.r.o., Zálesí Reality s.r.o., Malešice Reality s.r.o., Power Reality s.r.o., EPRE Reality s.r.o. and Střelničná reality s.r.o. for total consideration of EUR 0.04 million (CZK 1.2 million) where net assets in total value of EUR 99 million from Pražská teplárenská a.s. and PT měření, a.s. were transferred.

### Acquisitions and disposals of subsidiaries, joint ventures and associates

#### ACQUISITION OF NON-CONTROLLING INTEREST

On 16 January 2020, the EP Energy, a.s. acquired remaining 36% interest in VTE Pchery, s.r.o. Effectively the Group increased its shareholding interest in VTE Pchery, s.r.o. from 44.16% to 69%.

On 28 July 2020, EP Logistics International, a.s. acquired additional 16.3% interest in SPEDICA GROUP COMPANIES, s.r.o. As a result of this transaction, the Group increased its interest in SGC and its subsidiaries from 67.33% to 83.63%; interest in subsidiary SPEDICA LOGISTIC, s.r.o. effectively increased from 45.11% to 56.03%.

#### II. 31 DECEMBER 2019

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
<b>New subsidiaries</b>			
Fusine Energia S.r.l.	7/02/2019	100	100
EP Kilroot Limited and EP Ballylumford Limited	12/06/2019	100	100
EP France S.A.S and its subsidiaries and associates (EP France Group)	9/07/2019	<sup>(1)</sup> 100/25	100/25
LOCON LOGISTIK & CONSULTING AG and its subsidiaries (Locon Group)	26/07/2019	<sup>(2)</sup> 100/51	100/51
Tynagh Energy Limited	29/10/2019	80	80
<b>Total</b>		-	-

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

(2) 51% indirect interest was acquired in a subsidiary company LOCON BENELUX B.V.

On 8 March 2019, the Group via its subsidiary Pražská teplárenská, a.s. acquired 60.5% share in Devátá energetická, s.r.o. for EUR 0.5 million. No goodwill or negative goodwill was recognized on the transaction. On 10 July 2019, the Group acquired additional 24.5% share and total ownership of the Group is 85%. The Group does not control the entity because it does not have management control and therefore the entity is presented as an associate.

On 12 April 2019, the Group via its subsidiary EP Logistics International, a.s. acquired 100% share in AVE SR Východ a.s. (subsequently renamed to EP Intermodal a.s.) for EUR 0.1 million. No goodwill or negative goodwill was recognized on the transaction.

#### FUSINE ENERGIA S.R.L.

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



by EPH in Italy. EPNEI completed in December 2017 the acquisition of the biomass power plants owned by Biomasse Italia and Biomasse Crotone (with a total capacity of 73 MW).

#### EP KILROOT LIMITED AND EP BALLYLUMFORD LIMITED

On 12 June 2019, EP UK Investments Limited (“EPUKI”), a subsidiary of EP Power Europe, a.s., acquired generation assets at Ballylumford and Kilroot, with a combined installed capacity of 1.4 GW, in Northern Ireland, from AES Corporation (“AES”). The acquisition includes a combined cycle gas turbine (“CCGT”), a battery storage facility, open cycle turbines and a coal fired power station. EPUKI acquired AES’ entire Northern Irish business including all assets, systems and key management and staff. This represents the first acquisition by EPH into Northern Ireland’s energy market, which forms part of the all-island Irish market.

#### EP FRANCE GROUP

On 9 July 2019, Energetický a průmyslový holding, a.s. – through its wholly owned subsidiary EP Power Europe, a.s. – and Uniper successfully concluded the negotiations announced at the end of December 2018 on the sale of Uniper’s activities in France.

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

#### LOCON GROUP

On 26 July 2019, EP Logistics International, a.s. (“EPLI”) took over 100% share of LOCON Logistik & Consulting AG and its subsidiary companies (“LOCON Group” or “LOCON”).

The LOCON Group has been operating as a private rail carrier specializing in container rail transport in Germany for 17 years but is also active in rail construction contracts. LOCON’s fleet consists of thirty locomotives and more than 250 freight wagons, and LOCON also operates a diesel locomotive service center and a container train dock in Brandenburg.

The acquisition of a licensed railway carrier for Germany was one of the strategic objectives of EPLI, and therefor LOCON has become one of the key elements of further development of the logistics group under the auspices of EPH.

#### TYNAGH ENERGY LIMITED

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

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

#### ACQUISITION OF NON-CONTROLLING INTEREST

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

## B EFFECT OF ACQUISITIONS

### I. 31 DECEMBER 2020

#### SUBSIDIARIES

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

In millions of EUR

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

(1) Represents values at 100% share.

The table does not include the effect from the acquisition of Kinet as the effect are immaterial. The Group recognized a non-controlling interest of EUR 1 million as a result of the acquisition of Kinet.

**II. 31 DECEMBER 2019****SUBSIDIARIES**

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

In millions of EUR

	Carrying amount restated <sup>(1) (2)</sup>	Fair value adjustment	2019 Total restated <sup>(1) (2)</sup>
Property, plant, equipment, land, buildings	442	230	672
Intangible assets	36	33	69
Trade receivables and other assets	620	(9)	611
Financial instruments – assets	8	-	8
Inventories	136	(40)	96
Cash and cash equivalents	135	-	135
Restricted cash	7	-	7
Deferred tax asset	4	24	28
Provisions	(465)	(174)	(639)
Deferred tax liabilities	(19)	(66)	(85)
Loans and borrowings	(115)	50	(65)
Trade payables and other liabilities	(662)	29	(633)
<b>Net identifiable assets and liabilities</b>	<b>127</b>	<b>77</b>	<b>204</b>
Non-controlling interest			(12)
Goodwill on acquisitions of a subsidiary			6
Negative goodwill on acquisition of new subsidiaries			(39)
<b>Cost of acquisition</b>			<b>159</b>
Consideration paid, satisfied in cash (A)			159
Purchase price liability			-
Consideration, other			-
<b>Total consideration transferred</b>			<b>159</b>
Less: Cash acquired (B)			135
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(24)</b>

(1) Represents values at 100% share.

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

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

**III. RATIONALE FOR ACQUISITIONS**

The Group's strategic rationale for realised acquisitions comprised several factors, including:

- The subsidiaries' businesses are complementary to EPH's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;
- Subject industries are expected to grow in the future;
- Further vertical integration of the trading activities with the generation activities, i.e. securing coal and gas supplies for own coal and gas fired plants.

As further expansion in energy sectors of the countries in which the Group currently has operations is one of the strategic aims of the Group, EPH is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position and become an important participant in the energy market in the Central and Western Europe.

The Group's view is that there is a long-term strategic value in these investments due to the development of the market and this resulted in historical goodwill in the total amount of EUR 153 million. For the development of historical goodwill, please refer to Note 17 – Intangible assets (including goodwill).

In 2020, the Group recognized negative goodwill of EUR 9 million from the acquisition of Humbly Grove.

Gain on a bargain purchase from the acquisition of Humbly Grove is result of potential of assets for the Group in connection with other businesses within Group. Seller on the other hand considered the asset to be marginal business out of its focus.

In 2019, the Group recognized goodwill of EUR 6 million from the acquisition of Locon Group and negative goodwill of EUR 39 million from the acquisition of Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.

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

Gain on a bargain purchase from the acquisition of Uniper's energy assets in France (EUR 6 million) is driven by decision of the seller, German energy group Uniper, which considered the plan for coal exit by 2022 outlined by the French government, to have a negative effect on these assets. Uniper has concluded after strategic review to sell these assets considering the risks and negative outlook. For Group, the acquisition was an opportunity to enter the French energy market, to diversify and expand its generation capacity including renewables and biomass, and opportunity to leverage its experience in managing assets approaching end of life cycle.

The Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combinations; consistent results were obtained in respect of negative goodwill.

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

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)

In millions of EUR

	2019 Total
Revenue of the acquirees recognised since the acquisition date	1,286
Profit (loss) of the acquirees recognised since the acquisition date	(8)

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2020 or as at 1 January 2019); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

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

In millions of EUR

	2019 Total
Revenue of the acquirees recognised in the year ended 31 December 2019*	3,302
Profit (loss) of the acquires recognised in the year ended 31 December 2019*	17

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

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

### C BUSINESS COMBINATIONS – ACQUISITION ACCOUNTING 2020 AND 2019

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the parent company Energetický a průmyslový holding, a.s. (except for acquisitions under common control, which are carried

in net book values); in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes was performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which also involves certain estimates and approximations such as business plan forecasts, useful life of assets, and the weighted average cost of capital components). Any prospective information that may impact the future value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail at the time.

The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

Purchase price allocation was performed for all business combinations within the scope of IFRS 3.

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
<b>Subsidiary</b>			
Humbly Grove Energy Limited and its subsidiary	(37)	5	(32)
<b>Total</b>	<b>(37)</b>	<b>5</b>	<b>(32)</b>

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

In millions of EUR

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

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

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

**D DISPOSAL OF INVESTMENTS****I. 31 DECEMBER 2020**

During the year 2020 the Group disposed of its investments in:

In millions of EUR

	Date of disposal	Equity interest disposed %
<b>Subsidiaries disposed</b>		
Nová Invalidovna, a.s.	12/05/2020	100
PT Properties IV, a.s.	15/05/2020	100
DCR INVESTMENT a.s., v likvidaci	30/06/2020	100
ENERGZET SERVIS a.s.	4/9/2020	69
Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci	30/09/2020	69
CHIFFON ENTERPRISES LIMITED	30/09/2020	69
Kernaman S.A.S.	1/10/2020	100
Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s.	3/11/2020	69
Budapesti Erömű Zrt. and its subsidiary and Energia-pro Zrt.	2/12/2020	65.98
<b>Total</b>		-

On 12 May 2020 and 15 May 2020 respectively, the Group disposed 100% interests in Nová Invalidovna, a.s. and PT Properties IV, a.s., which were classified under assets and liabilities held for sale. The impact on financial statements was EUR 3 million.

On 30 June 2020, in connection with the liquidation process of DCR INVESTMENT a.s., v likvidaci the company was deconsolidated without any significant impact on the Group's financial statements. The investment is currently reported under other financial assets at value expected to be received upon liquidation.

On 30 September 2020, in connection with the liquidation process of Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci the entities were deconsolidated without any significant impact on the Group's financial statements. The impact on financial statements was EUR 20 million due to translation differences recycled from Other comprehensive income to Income statement. The investment is currently reported under other financial assets at value expected to be received upon liquidation.

On 30 September 2020, in connection with the liquidation process of CHIFFON ENTERPRISES LIMITED the entity was deconsolidated without any significant impact on the Group's financial statements. The impact on financial statements was EUR 1 million. The investment is currently reported under other financial assets at value expected to be received upon liquidation.

On 1 January 2020, Gazel Energie Generation S.A.S. transferred selected assets and liabilities related to CCGT power plants to its newly set up 100% subsidiary Kernaman S.A.S. Subsequently on 1 October 2020, the Group disposed 100% in Kernaman S.A.S. The effect of disposal is provided in the table below.

On 3 November 2020, the EPIF Group disposed 100% in Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s. (EPH Group's effective interest was 69%). The effect of disposal is provided in the table below.

On 2 December 2020, the EPIF Group disposed 95.62% in Budapesti Erömű Zrt. and Energia-pro Zrt. (EPH Group's effective interest was 65.98%). The effect of disposal is provided in the table below.

The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(549)
Intangible assets	(8)
Participation with significant influence	(1)
Trade receivables and other assets	(142)
Financial instruments – assets	(6)
Inventories	(11)
Cash and cash equivalents	(53)
Restricted cash	(4)
Assets held for sale	(1)
Deferred tax asset	(7)
Provisions	60
Deferred tax liabilities	40
Loans and borrowings	10
Trade payables and other liabilities	315
<b>Net identifiable assets and liabilities</b>	<b>(357)</b>
Direct non-controlling interest	3
Pricing differences	8
Translation difference recycled to OCI	(27)
<b>Net assets value disposed</b>	<b>(373)</b>
Consideration received, satisfied in cash (A)	1,194
Selling price receivable	2
<b>Total consideration received</b>	<b>1,196</b>
Less: Cash disposed of (B)	(53)
<b>Net cash inflows (C) = (A – B)</b>	<b>1,141</b>
<b>Gain (loss) on disposal<sup>(1)</sup></b>	<b>823</b>
Indirect non-controlling interest	68
<b>Gain (loss) on disposal attributable to non-controlling interest</b>	<b>244</b>

(1) Gain (loss) on disposal effect is calculated for intermediate parent company of the subsidiary disposed. The effect of the indirect non-controlling interest is included in line-item Gain (loss) on disposal attributable to non-controlling interest.

For details on major disposals please refer also to Appendix 2 – Disposals of investments.

## DISPOSAL OF NON-CONTROLLING INTERESTS

On 31 July 2020, EP Power Europe, a.s. sold 20% share in EP New Energies GmbH (“EPNE”) to Lausitz Energie Bergbau AG (“LEB”), a joint venture company in which the Group owns 50% interest. As a result of this transaction, effective ownership interest of the Group in EPNE decreased to 90%. Full method of consolidation of EPNE has not been affected.

## II. 31 DECEMBER 2019

On 8 January 2019, in connection with the termination of the liquidation process of Nafta Exploration s.r.o. the company was dissolved from the Commercial Register and deconsolidated without any significant impact on the Group’s financial statements.

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

On 23 April 2019, EPH sold its 60% share in PGP Terminal, a.s. The entity was deconsolidated without any significant impact on the Group’s financial statements.

On 10 October 2019, the Group disposed RUBY Equity Investments S.à r.l. The effect is provided in the following table:

In millions of EUR

	Net assets sold in 2019
Financial instruments – assets	76
Loans and borrowings	(70)
<b>Net identifiable assets and liabilities</b>	<b>6</b>
Non-controlling interest	-
<b>Net assets value disposed</b>	<b>6</b>
Consideration received, satisfied in cash (A)	7
Selling price liability	-
<b>Total consideration received</b>	<b>7</b>
Less: Cash disposed of (B)	-
<b>Net cash inflows (C) = (A – B)</b>	<b>7</b>
<b>Gain (loss) on disposal</b>	<b>1</b>

## DISPOSAL OF NON-CONTROLLING INTERESTS

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

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

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

## 7. Sales

In millions of EUR

	2020	2019 <sup>(1)</sup>
<b>Sales: Energy</b>		
<i>of which: Electricity</i>	5,117	5,152
<i>Gas</i>	2,201	2,342
<i>Heat</i>	329	395
<i>Coal</i>	210	216
<i>Other</i>	11	6
<b>Total Energy</b>	<b>7,868</b>	<b>8,111</b>
<b>Sales: Logistics and freight services</b>	<b>280</b>	<b>106</b>
<b>Sales: Other</b>	<b>308</b>	<b>345</b>
<b>Total Revenues from customers</b>	<b>8,456</b>	<b>8,562</b>
<b>Gain (loss) from commodity and freight derivatives, net</b>	<b>75</b>	<b>10</b>
<b>Total</b>	<b>8,531</b>	<b>8,572</b>

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



For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

Sales: Energy Gas consists primarily of revenue from gas transmission of EUR 720 million (2019: EUR 790 million) and from distribution of gas of EUR 421 million (2019: EUR 426 million).

Sales: Energy Electricity consists primarily of sale of electricity of EUR 4,750 million (2019: EUR 4,644 million). The amount of EUR 221 million (2019: EUR 374 million) relates to distribution of electricity.

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

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

Contract assets and liabilities primarily relate to not invoiced part of fulfilled performance obligation, received payments for services and goods where control over the assets was not transferred to customer and deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers.

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

#### CONTRACT ASSETS AND LIABILITIES

In millions of EUR

	31 December 2020	31 December 2019
Contract assets	54	59
<i>Current</i>	54	59
<i>Non-current</i>	-	-
Contract liabilities	185	287
<i>Current</i>	70	182
<i>Non-current</i>	115	105

The amount of EUR 182 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue during the year 2020.

## 8. Cost of sales

In millions of EUR

	2020	2019 <sup>(1)</sup>
<b>Cost of Sales: Energy</b>		
<i>Cost of sold electricity</i>	2,044	2,243
<i>Cost of sold gas and other energy products</i>	1,117	1,280
<i>Consumption of fuel and other material</i>	1,028	1,092
<i>Consumption of energy</i>	109	166
<i>Other cost of sales</i>	172	147
<b>Total Energy</b>	<b>4,470</b>	<b>4,928</b>
<b>Cost of Sales: Other</b>		
<i>Other cost of goods sold</i>	305	175
<i>Other cost of sales</i>	81	78
<i>Consumption of material</i>	28	25
<i>Consumption of energy</i>	14	10
<i>Changes in WIP, semi-finished products and finished goods</i>	(3)	(6)
<b>Total Other</b>	<b>425</b>	<b>282</b>
<b>Total</b>	<b>4,895</b>	<b>5,210</b>

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

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

## 9. Personnel expenses

In millions of EUR

	2020	2019
Wages and salaries	414	395
Compulsory social security contributions	121	112
Expenses and revenues related to employee benefits (IAS 19)	22	19
Board members' remuneration (including boards of subsidiaries)	8	7
Other social expenses	70	28
<b>Total</b>	<b>635</b>	<b>561</b>

The average number of employees (calculated using figures of disposed entities until their respective deconsolidation date) during 2020 was 11,281 (2019: 11,453), of which 259 were executives (2019: 244).

## 10. Emission rights

In millions of EUR

	2020	2019
Deferred income (grant) released to profit and loss	26	26
Profit (loss) from sale of emission rights	74	(16)
Creation of provision for emission rights	(454)	(388)
Gain (loss) from commodity derivatives for trading with emission rights, net	(47)	32
Use of provision for emission rights	430	254
Consumption of emission rights	(430)	(254)
<b>Total</b>	<b>(401)</b>	<b>(346)</b>

The increase of emission rights costs is caused primarily by the increase of average price of 1 piece of emission allowance from 24.39 EUR/piece in 2019 to 25.01 EUR/piece in 2020.

The Ministries of the Environment of the Czech Republic, Slovakia, Germany, Hungary, Italy, France, Ireland and United Kingdom set a limit on the amount of a pollutant that can be emitted. Companies are granted emission allowances and are required to hold an equivalent number of allowances which represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission allowance must buy credits from those who pollute less or from other market participants. The transfer of allowances is referred to as a trade. Refer to Note 3(g) – Derivative financial instruments – Transactions with emission rights and energy, Note 3(l) III – Intangible assets – Emission rights and Note 3(n) iv – Provisions – Provision for emission rights for more details on accounting policies on emission rights.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská teplárenská, a.s., Pražská teplárenská a.s. (until 3 November 2020), Elektrárny Opatovice, a.s., SPP Storage, s.r.o., JTSD – Braunkohlebergbau GmbH, Helmstedter Revier GmbH, Kraftwerk Mehrum GmbH, Stredoslovenská energetika, a.s., NAFTA a.s., eustream, a.s., Budapesti Erömű Zrt. (until 2 December 2020), Lynemouth Power Limited, EP UK Investments LTD and its selected subsidiaries, EP Produzione S.p.A. and its selected subsidiaries, Gazel Energie Generation S.A.S and Gazel Energie Solutions S.A.S.

## 11. Taxes and charges

In millions of EUR

	2020	2019
Carbon price support <sup>(1)</sup>	73	56
Property tax and real estate transfer tax	24	22
Electricity tax	6	7
Gas tax	1	-
Other taxes and charges expenses (revenues)	24	17
<b>Total</b>	<b>128</b>	<b>102</b>

(1) Carbon Price Support (CPS) is the rate of climate change levy that applies to fossil fuel used for electricity generation in the United Kingdom.

## 12. Other operating income

In millions of EUR

	2020	2019
Compensation from insurance companies	26	14
Tolling fee	17	15
Consulting fees	15	13
Decentralization and cogeneration fee <sup>(1)</sup>	14	16
Rental income	10	10
Property acquired free-of-charge and fees from customers	9	6
Contractual penalties	8	7
Transportation revenues	5	4
Inventories surplus	4	6
Ecological tax reimbursement	4	5
Waste disposal	4	3
Revenues from written off liabilities	3	6
Profit from sale of material	2	1
Revenues from re-invoicing	1	-
Profit from disposal of tangible and intangible assets	-	4
Other	25	26
<b>Total</b>	<b>147</b>	<b>136</b>

(1) Decentralization and cogeneration fees relate to subsidy for producing electricity in cogeneration with heat. This revenue does not meet the criteria of revenues from customer as mentioned in Note 3(p).

## 13. Other operating expenses

In millions of EUR

	2020	2019
Office equipment and other material	69	64
Outsourcing and other administration fees	59	53
Consulting expenses	52	43
Impairment (gains) losses	40	33
<i>Of which relates to: Inventories</i>	22	4
<i>Property, plant and equipment and intangible assets</i>	14	<sup>(1)</sup> 45
<i>Trade receivables and other assets</i>	4	(16)
Insurance expenses	27	24
Rent expenses	24	23
Information technologies costs	24	20
Transport expenses	21	21
Environmental expenses	13	11
Fees and commissions expense – intermediation	8	7
Gifts and sponsorship	7	5
Loss from written off receivables	5	7
Advertising expenses	4	5
Security services	4	5
Contractual penalties	4	3
Communication expenses	4	3
Training, courses, conferences	3	5
Loss on disposal of tangible and intangible assets	3	-
Re-transmission fee <sup>(2)</sup>	2	3
Administrative expenses	1	2
Shortages and damages	1	1
Change in provisions, net	(3)	21
Other	50	42
<b>Total</b>	<b>422</b>	<b>401</b>

(1) The amount includes impairment of tangible assets of EUR 39 million recorded by SPP – distribúcia, a.s. („SPPD“). Since 1 January 2020 SPPD has been recognizing property, plant and equipment (“PPE”) used for natural gas distribution under the IAS 16 Revaluation model (for the Group reporting purposes). The effect on revaluation reserve in equity as of 1 January 2020 was positive as a result of this PPE revaluation. As part of this exercise, in 2019 SPPD performed detailed evaluation of the PPE with the aim to identify non-performing assets. During this activity SPPD compared the net book value of its individual distribution assets with estimated fair value. For certain items a negative difference was identified, i.e. estimated fair value was lower than the net book value. For such items SPPD recorded an impairment charge in total EUR 39 million.

(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 significant research and development expenses were recognised in profit and loss for the year 2020 and 2019.

Other operating expenses

### FEES PAYABLE TO STATUTORY AUDITORS

In millions of EUR

	2020	2019
Statutory audits	4	4
Other attestation services	1	2
<b>Total</b>	<b>5</b>	<b>6</b>

The figures presented above include expenses recorded by all subsidiaries and also associates and joint ventures consolidated using the equity method in 100% amount. Statutory audits include fees payable for statutory audits of financial statements. Other attestation services include the following services: review of the condensed interim consolidated financial statements of EPIF Group as at 30 June 2020; provision of a comfort letter for the purpose of issuing individual entity bonds; assistance with the compilation of the Sustainability Report; expert opinion on R&D allowance; penetration testing of selected IT infrastructures; audit of loan covenants; automatization of public registers data collection gathering.

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

### RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2020	2019
Interest income	32	37
Dividend income	3	2
Other finance income	2	3
Net foreign exchange gain	-	47
<b>Finance income</b>	<b>37</b>	<b>89</b>
Interest expense incl. various financing and refinancing related fees	(177)	(187)
Net foreign exchange loss	(61)	-
Fees and commissions expense for other services	(25)	(7)
Interest expense from unwind of provision discounting	(12)	(13)
Fees and commissions expense for payment transactions	(2)	(3)
Fees and commissions expense for guarantees	(2)	(1)
<b>Finance expense</b>	<b>(279)</b>	<b>(211)</b>
Profit (loss) from other derivatives for trading	15	11
Profit (loss) from loan receivables written-off	11	-
Profit (loss) from hedging derivatives	6	(1)
Profit (loss) from commodity derivatives for trading	2	-
Profit (loss) from assets at fair value through OCI	1	-
Profit (loss) from the adjustment of the purchase price from acquisition after the measurement period	(4)	-
Profit (loss) from currency derivatives for trading	(12)	6
Impairment losses on financial assets <sup>(1)</sup>	(29)	(328)
Profit (loss) from interest rate derivatives for trading	(61)	(3)
Profit (loss) from assets at fair value through profit or loss	-	6
<b>Profit (loss) from financial instruments</b>	<b>(71)</b>	<b>(309)</b>
<b>Net finance income (expense) recognised in profit or loss</b>	<b>(313)</b>	<b>(431)</b>

(1) For details refer to Note 19 – Equity accounted investees and Note 32 – Financial instruments.

## 15. Income tax expenses

### INCOME TAXES RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2020	2019
<i>Current taxes:</i>		
Current year	(397)	(381)
Adjustment for prior periods	(3)	(3)
<b>Total current taxes</b>	<b>(400)</b>	<b>(384)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	80	46
<b>Total deferred taxes</b>	<b>80</b>	<b>46</b>
<b>Total income taxes (expense) benefit recognised in profit or loss</b>	<b>(320)</b>	<b>(338)</b>

(1) For details refer to Note 20 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 81 million (2019: EUR 121 million) is mainly represented by EP Produzione S.P.A. of EUR 28 million (2019: EUR 0 million), eustream, a.s. of EUR 13 million (2019: EUR 75 million), NAFTA Germany GmbH of EUR 10 million (2019: EUR 17 million) and Stredoslovenská distribučná, a.s. of EUR 10 million (2019: EUR 2 million).

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. The corporate income tax rates in respective countries were as follows:

	Tax rate	
Country	2020	2019
The Czech Republic	19%	19%
Slovakia	21%	21%
Germany	28.47%–30.00%	28.47%–30.00%
Poland	19%	19%
Italy	24%	24%
Hungary	9%	9%
United Kingdom	19%	19%
Ireland	12.5%	12.5%
France	31% <sup>(1)</sup>	31% <sup>(1)</sup>

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

Current year income tax includes also special sector tax effective in Slovakia and Hungary.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In millions of EUR

	2020		
	Gross	Income tax	Net of income tax
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	1,762	(447)	1,315
Fair value reserve included in other comprehensive income <sup>(1)</sup>	(28)	2	(26)
Foreign currency translation differences from presentation currency	(76)	-	(76)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	116	-	116
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	(73)	3	(70)
Total	1,701	(442)	1,259

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

In millions of EUR

	2019		
	Gross	Income tax	Net of income tax
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	2,166	(551)	1,615
Fair value reserve included in other comprehensive income <sup>(1)</sup>	(27)	3	(24)
Foreign currency translation differences from presentation currency	51	-	51
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(59)	-	(59)
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	(252)	13	(239)
Total	1,879	(535)	1,344

(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

		2020	2019 restated <sup>(1)</sup>	
		%	%	
Profit before tax				1,141
Income tax using the Company's domestic rate (19%)	19.0%	375	19.0%	217
Effect of tax rates in foreign jurisdictions	1.8%	35	2.8%	32
Non-deductible expenses <sup>(2)</sup>	7.3%	144	8.4%	96
Other non-taxable income <sup>(3)</sup>	(16.5%)	(325)	(5.2%)	(59)
Change in tax rate	-	-	(0.5%)	(6)
Tax incentives	(0.4%)	(7)	(0.3%)	(4)
Recognition of previously unrecognized tax losses	0.8%	16	(0.2%)	(2)
Effect of special levy for business in regulated services <sup>(4)</sup>	2.7%	54	4.9%	57
Current year losses for which no deferred tax asset was recognised	1.5%	29	0.3%	4
Change in temporary differences for which no deferred tax asset is recorded	(0.2%)	(4)	-	-
Withholding tax, income tax adjustments for prior periods	0.2%	3	0.3%	3
Revenues from dividends	-	-	-	-
Income taxes recognised in profit or loss	16.2%	320	29.5%	338

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

(2) The basis consists mainly of creation of provisions and loss allowances of EUR 269 million (2019: EUR 283 million), loss from sale of investment in NPTH, a.s. v likvidaci of EUR 146 million, loss of interest rate derivatives realized by EP Infrastructure, a.s. of EUR 46 million and of non-deductible interest expense of EUR 28 million (2019: EUR 71 million).

(3) The basis consists mainly of gain from sale of investments in Pražská teplárenská Holding a.s. v likvidaci, PT Transit, a.s, Pražská teplárenská a.s. and its subsidiaries and associates, Budapesti Erőmű Zrt. and Energia-pro Zrt. and Kernaman S.A.S. in total amount of EUR 962 million, further of reversal of provisions and loss allowances of EUR 239 million (2019: EUR 29 million), share of profit for joint ventures and associates of EUR 90 million (2019: EUR 175 million) and of negative goodwill of EUR 9 million (2019: EUR 39 million).

(4) This item relates to special industry tax applied in Slovakia and Hungary. The balance consists mainly of amount recognized by eustream, a.s. of EUR 24 million (2019: EUR 34 million), SPP - distribúcia, a.s. of EUR 12 million (2019: EUR 11 million), NAFTA a.s. of EUR 5 million (2019: EUR 4 million), Stredoslovenská distribučná, a.s. of EUR 6 million (2019: EUR 4 million) and Budapesti Erőmű Zrt. of EUR 5 million (2019: EUR 4 million).



## 16. Property, plant and equipment

In millions of EUR

	Land and build-ings <sup>(1)</sup>	Gas transmis-sion pipe-lines – fair value model	Gas dis-tribution pipe-lines – fair value model	Gas pipelines – cost model	Technical equip-ment, plant and machin-ery <sup>(1)</sup>	Other equip-ment, fixtures and fit-tings	Under construc-tion	Total
<b>Cost or revaluation</b>								
<b>Balance at 1 January 2020</b>	<b>2,796</b>	<b>3,803</b>	<b>-</b>	<b>2,590</b>	<b>5,146</b>	<b>35</b>	<b>249</b>	<b>14,619</b>
Effects of movements in foreign exchange	(35)	-	-	2	(81)	(1)	(1)	<b>(116)</b>
Additions	54	-	-	-	190	27	162	<b>433</b>
Additions through business combinations <sup>(2)</sup>	2	-	-	-	44	-	-	<b>46</b>
Reclassification	-	-	2,094	(2,580)	-	-	-	<b>(486)</b>
Revaluation	-	-	<sup>(4)</sup> 1,762	-	-	-	-	<b>1,762</b>
Disposals	(12)	-	-	-	(41)	(4)	(2)	<b>(59)</b>
Disposed entities <sup>(3)</sup>	(345)	-	-	-	(386)	(6)	(55)	<b>(792)</b>
Transfer from inventories	-	-	-	-	11	-	-	<b>11</b>
Transfers	33	-	44	-	68	1	(146)	<b>-</b>
Change in provision recorded in PPE	10	-	-	-	-	-	-	<b>10</b>
Transfer to disposal group held for sale	(2)	-	-	-	(2)	-	-	<b>(4)</b>
<b>Balance at 31 December 2020</b>	<b>2,501</b>	<b>3,803</b>	<b>3,900</b>	<b>12</b>	<b>4,949</b>	<b>52</b>	<b>207</b>	<b>15,424</b>
<b>Depreciation and impairment losses</b>								
<b>Balance at 1 January 2020</b>	<b>(859)</b>	<b>(37)</b>	<b>-</b>	<b>(524)</b>	<b>(1,968)</b>	<b>(9)</b>	<b>(4)</b>	<b>(3,401)</b>
Effects of movements in foreign exchange	14	-	-	-	27	-	-	<b>41</b>
Depreciation charge for the year	(114)	(89)	(142)	-	(390)	(4)	-	<b>(739)</b>
Disposals	11	-	-	-	40	-	-	<b>51</b>
Disposed entities	146	-	-	-	95	2	-	<b>243</b>
Reclassification (eliminated against cost)	-	-	(39)	524	-	-	-	<b>485</b>
Impairment losses recognised in profit or loss	(1)	-	-	-	(6)	-	(4)	<b>(11)</b>
Transfer to disposal group held for sale	-	-	-	-	1	-	-	<b>1</b>
<b>Balance at 31 December 2020</b>	<b>(803)</b>	<b>(126)</b>	<b>(181)</b>	<b>-</b>	<b>(2,201)</b>	<b>(11)</b>	<b>(8)</b>	<b>(3,330)</b>
<b>Carrying amounts</b>								
<b>At 1 January 2020</b>	<b>1,937</b>	<b>3,766</b>	<b>-</b>	<b>2,066</b>	<b>3,178</b>	<b>26</b>	<b>245</b>	<b>11,218</b>
<b>At 31 December 2020</b>	<b>1,698</b>	<b>3,677</b>	<b>3,719</b>	<b>12</b>	<b>2,748</b>	<b>41</b>	<b>199</b>	<b>12,094</b>

- (1) Including right-of-use assets.  
(2) Purchase of Humbly Grove Energy Limited.  
(3) Disposal of Kernaman S.A.S., Pražská teplárenská a.s., PT Transit, a.s., Budapesti Erőmű Zrt. and Energia-pro Zrt.  
(4) For more information on revaluation of gas transmission pipelines refer to Note 3(b).

Property, plant and equipment

In millions of EUR

	Land and buildings <sup>(1)</sup>	Gas transmis-sion pipelines – fair value model	Gas pipe-lines – cost model	Technical equipment, plant and machin-ery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost or revaluation</b>							
<b>Balance at 31 December 2018</b>	<b>2,694</b>	<b>-</b>	<b>4,570</b>	<b>4,181</b>	<b>57</b>	<b>152</b>	<b>11,654</b>
Adjustment for change in accounting policy (IFRS 16)	45	-	-	78	-	-	<b>123</b>
<b>Balance at 1 January 2019</b>	<b>2,739</b>	<b>-</b>	<b>4,570</b>	<b>4,259</b>	<b>57</b>	<b>152</b>	<b>11,777</b>
Effects of movements in foreign exchange	10	-	-	52	-	5	<b>67</b>
Additions	54	-	1	158	3	168	<b>384</b>
Additions through business combinations <sup>(2)</sup>	81	-	-	566	6	19	<b>672</b>
Reclassification	-	1,637	(1,978)	-	-	-	<b>(341)</b>
Revaluation	-	<sup>(3)</sup> 2,166	-	-	-	-	<b>2,166</b>
Disposals	(14)	-	(30)	(50)	(3)	(1)	<b>(98)</b>
Transfer from intangible asset	-	-	-	4	-	-	<b>4</b>
Transfers	23	-	27	44	2	(96)	<b>-</b>
Change in provision recorded in property, plant and equipment	(10)	-	-	-	-	-	<b>(10)</b>
Effect from PPA corrections	(87)	-	-	113	(30)	2	<b>(2)</b>
<b>Balance at 31 December 2019</b>	<b>2,796</b>	<b>3,803</b>	<b>2,590</b>	<b>5,146</b>	<b>35</b>	<b>249</b>	<b>14,619</b>
<b>Depreciation and impairment losses</b>							
<b>Balance at 1 January 2019</b>	<b>(751)</b>	<b>-</b>	<b>(737)</b>	<b>(1,623)</b>	<b>(8)</b>	<b>(3)</b>	<b>(3,122)</b>
Effects of movements in foreign exchange	(3)	-	-	(6)	-	-	<b>(9)</b>
Depreciation charge for the year	(113)	(86)	(71)	(375)	(2)	-	<b>(647)</b>
Disposals	14	-	31	37	1	-	<b>83</b>
Reclassification (eliminated against cost)	-	49	292	-	-	-	<b>341</b>
Impairment losses recognised in profit or loss	(6)	-	(39)	(1)	-	(1)	<b>(47)</b>
<b>Balance at 31 December 2019</b>	<b>(859)</b>	<b>(37)</b>	<b>(524)</b>	<b>(1,968)</b>	<b>(9)</b>	<b>(4)</b>	<b>(3,401)</b>
<b>Carrying amounts</b>							
<b>At 1 January 2019</b>	<b>1,943</b>	<b>-</b>	<b>3,833</b>	<b>2,558</b>	<b>49</b>	<b>149</b>	<b>8,532</b>
<b>At 31 December 2019</b>	<b>1,937</b>	<b>3,766</b>	<b>2,066</b>	<b>3,178</b>	<b>26</b>	<b>245</b>	<b>11,218</b>

- (1) Including right-of-use assets.  
(2) Purchase of Fusine Energia S.r.L., EP Kilroot Limited and EP Ballylumford Limited, EP France Group, Locon Group and Tynagh Energy Limited.  
(3) For more information on revaluation of gas transmission pipelines refer to Note 3(b).

The Company considered potential implication of IFRIC 12 on recognition of the assets held in regulated sectors. However, management concluded that the interpretation is not relevant for the Group as the operation of the infrastructure assets is not under Service Concession agreement.

## REVALUATION OF GAS PIPELINE

Gas distribution pipeline by SPP – distribúcia, a.s. and gas transmission pipeline by eustream a.s. are recognised at revalued amount, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology). For more details on revaluation, refer to Note 3(b) and Note 4(a).

If the pipelines were accounted for using the cost model, the net book value of the asset as at 31 December 2020 would be EUR 4,166 million (net book value of eustream's assets of EUR 2,130 million and net book value of SPPD's assets of EUR 2,036 million).

## IDLE ASSETS

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

## SECURITY

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

## 17. Intangible assets (including goodwill)

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2020</b>	<b>196</b>	<b>96</b>	<b>173</b>	<b>333</b>	<b>19</b>	<b>817</b>
Effect of movements in foreign exchange	(5)	(1)	(4)	(3)	-	(13)
Additions	-	7	425	-	11	443
Disposals	-	(1)	(430)	-	-	(431)
Disposed entities <sup>(1)</sup>	-	(1)	(7)	-	-	(8)
Transfers	-	3	-	-	(3)	-
<b>Balance at 31 December 2020</b>	<b>191</b>	<b>103</b>	<b>157</b>	<b>330</b>	<b>27</b>	<b>808</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2020</b>	<b>(40)</b>	<b>(66)</b>	<b>-</b>	<b>(233)</b>	<b>(2)</b>	<b>(341)</b>
Effect of movements in foreign exchange	2	1	-	-	-	3
Amortisation for the year	-	(12)	-	(32)	-	(44)
Disposals	-	1	-	-	-	1
Impairment losses recognised in profit or loss	-	-	-	-	(3)	(3)
<b>Balance at 31 December 2020</b>	<b>(38)</b>	<b>(76)</b>	<b>-</b>	<b>(265)</b>	<b>(5)</b>	<b>(384)</b>
<b>Carrying amount</b>						
<b>At 1 January 2020</b>	<b>156</b>	<b>30</b>	<b>173</b>	<b>100</b>	<b>17</b>	<b>476</b>
<b>At 31 December 2020</b>	<b>153</b>	<b>27</b>	<b>157</b>	<b>65</b>	<b>22</b>	<b>424</b>

(1) Disposal of Pražská teplárenská a.s., Budapesti Erőmű Zrt. and Energia-pro Zrt.

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2019</b>	<b>189</b>	<b>87</b>	<b>70</b>	<b>298</b>	<b>15</b>	<b>659</b>
Effect of movements in foreign exchange	1	1	-	1	-	3
Additions	-	5	332	-	-	337
Disposals	-	(1)	(254)	-	(2)	(257)
Additions through business combinations <sup>(1)</sup>	6	2	25	34	8	75
Transfers	-	2	-	-	(2)	-
<b>Balance at 31 December 2019</b>	<b>196</b>	<b>96</b>	<b>173</b>	<b>333</b>	<b>19</b>	<b>817</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2019</b>	<b>(40)</b>	<b>(53)</b>	<b>-</b>	<b>(200)</b>	<b>(4)</b>	<b>(297)</b>
Effect of movements in foreign exchange	-	-	-	-	-	-
Amortisation for the year	-	(14)	-	(33)	-	(47)
Disposals	-	1	-	-	-	1
<b>Impairment losses recognised in profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Balance at 31 December 2019</b>	<b>(40)</b>	<b>(66)</b>	<b>-</b>	<b>(233)</b>	<b>(2)</b>	<b>(341)</b>
<b>Carrying amount</b>						
<b>At 1 January 2019</b>	<b>149</b>	<b>34</b>	<b>70</b>	<b>98</b>	<b>11</b>	<b>362</b>
<b>At 31 December 2019</b>	<b>156</b>	<b>30</b>	<b>173</b>	<b>100</b>	<b>17</b>	<b>476</b>

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

In 2020, EPH Group purchased emission allowances of EUR 410 million (2019: EUR 307 million). The remaining part of EUR 15 million (2019: EUR 25 million) was allocated to the Group by the respective authorities.

Amortisation of intangible assets is included in the row Depreciation and amortisation in the consolidated statement of comprehensive income.

Other intangible assets comprise valuable rights.

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

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. No significant research costs were incurred during 2020 and 2019.

## IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

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

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

In millions of EUR

	31 December 2020	31 December 2019
EP Energy, a.s.:		
Elektrárny Opatovice, a.s.	88	91
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.	5	5
SPV100, s.r.o.	1	1
Biomasse Crotone S.p.A.	20	20
Biomasse Italia S.p.A.	16	16
LOCON Logistik & Consulting AG	7	7
Helmstedter Revier GmbH	5	5
EP Investment Advisors, s.r.o.	3	3
SPEDICA GROUP COMPANIES, s.r.o.	2	2
SAJDOK a.s.	1	1
<b>Total goodwill</b>	<b>153</b>	<b>156</b>

In 2020, the decrease of the balance of goodwill by EUR 3 million is caused by negative effect of changes in the FX rate.

In 2019, the balance of goodwill increased by EUR 6 million as a result of acquisition of Locon Group. Remaining increase of EUR 1 million is caused by positive effect of changes in the FX rate.

## GOODWILL AND IMPAIRMENT TESTING

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. The Group also conducts impairment testing of other intangible assets with indefinite useful lives, and of cash generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows. Value in use is derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

The calculation of the recoverable amounts for CGUs containing goodwill was based on the following key assumptions:

In case of EPIF Group entities, cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by an additional six years of modelled projections followed by projected results based on an estimated growth factor plus a terminal value if relevant. In case of EPPE Group entities, cash-flows were projected based on past experience, actual operating results and the five-year business plan followed by projected results based on expected useful life of the individual assets. Where relevant, cash flows for a terminal period were extrapolated using a constant growth rate of 0%–2% (2019: 0%–2%), which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, CO<sub>2</sub> allowances prices, foreign exchange rates, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 3.82% to 8.01% (2019: range from 4.31% to 8.50%). Changes in used discount rates compared to prior year reflect a combination of factors. For some entities, the specific risk of the entity and cost of debt has been adjusted while, at the same time, changes reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

The 2020- and 2019-years testing showed no need for impairment as no CGU with the recoverable value lower than the carrying value including goodwill was identified.

#### ADDITIONAL INFORMATION ON CGU WITH SIGNIFICANT GOODWILL ASSIGNED:

The recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Value in use in 2020 was determined in a similar manner as in 2019. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 425 million (2019: EUR 341 million). Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the planned EBITDA. These selected assumptions were as follows:

	2020	2019
Discount rate	4.51%	4.94%
Terminal value growth rate	0.50%	0.50%

The EPH Group uses weighted average cost of capital (WACC). The discount rate is a pre-tax measure. Cost of equity is based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of Elektrárny Opatovice, a.s.

Budgeted Adjusted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

- a) estimated refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);
- b) market expectations regarding power and CO<sub>2</sub> prices, development based on historical trends;
- c) a slight decrease in heat supplies and modest increase of heat prices;
- d) the inflation driven development of various other positions, especially overhead costs.

The Group did not identify any CGU for which reasonably possible change in key management assumptions (EBITDA, terminal growth, discount rate) would cause that recoverable amount would decrease below its carrying amount.

## 18. Investment property

In millions of EUR

	31 December 2020	31 December 2019
Opening balance	3	3
Changes during the reporting period	-	-
<b>Closing balance</b>	<b>3</b>	<b>3</b>

#### SECURITY

As at 31 December 2020, no investment property is subject to pledges to secure bank loans (2019: EUR 0 million).

# 19. Equity accounted investees

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

In millions of EUR

		Ownership 31 December 2020	Carrying amount 31 December 2020
Associates and joint ventures	Country	%	
LEAG Group <sup>(1)</sup>	<sup>(3)</sup>	50.00	659
SPH Group <sup>(2)</sup>	<sup>(3)</sup>	<sup>(4)</sup>	195
Ergosud S.p.A.	Italy	50.00	63
Kraftwerk Schkopau GbR	Germany	41.90	61
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	18
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
Greeninvest Energy, a.s.	Czech Republic	28.77	1
<b>Total</b>		-	<b>1,002</b>

In millions of EUR

		Ownership 31 December 2019	Carrying amount 31 December 2019
Associates and joint ventures	Country	%	
LEAG Group <sup>(1)</sup>	<sup>(3)</sup>	50.00	623
SPH Group <sup>(2)</sup>	<sup>(3)</sup>	<sup>(4)</sup>	191
Kraftwerk Schkopau GbR	Germany	41.90	66
Ergosud S.p.A.	Italy	50.00	49
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	21
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
Greeninvest Energy, a.s.	Czech Republic	28.77	1
PT Distribuční, s.r.o.	Czech Republic	58.65	1
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	Poland	38.93	-
<b>Total</b>		-	<b>957</b>

- (1) Refer to Note 38 – Group entities for detail of entities included in LEAG Group.  
(2) Refer to Note 38 – Group entities for detail of entities included in SPH Group.  
(3) Country of incorporation varies, for details refer to Note 38 – Group entities.  
(4) Ownership percentage varies, for details refer to Note 38 – Group entities.

## LEAG GROUP

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

In 2020, NADURENE 2, a.s. merged with Lausitz Energie Bergbau AG (part of LEAG Group). After the merger LEAG Group holds 49% direct share in EP New Energy Italia S.r.l. and its subsidiary companies and Biomasse Servizi S.r.l. For details refer to Note 6(d) – Disposal of investments and Note 38 – Group entities.

## ERGOSUD S.P.A.

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

## PRZEDSIĘBIORSTWO GÓRNICZE SILESIA SP. Z O.O.

As at 31 December 2019, the Group reported a valuation allowance of EUR 32 million to its financial investment in PGS. As the carrying amount of the investment in PGS decreased to zero in course of 2018, the Group discontinued recognising its share on further losses. In 2020, the share capital of PGS increased by EUR 72 million through the capital contribution of the investors. The Group share on the increase was EUR 28 million. The Group therefore recognized its share on current year loss of PGS and a part of the unrecognized share on loss in PGS from previous years in amount of EUR 16 million (as a reason of capital contribution of EUR 28 million and positive changes in FX rates of EUR 4 million). The cumulative unrecognized share on loss in PGS as at 31 December 2020 decreased to EUR 85 million (2019: unrecognized share on loss in PGS for the year of EUR 99 million and cumulative unrecognized share on loss in PGS of EUR 101 million).

On 16 December 2020, the Group concluded an agreement to sell the shares in PGS to a third party. As a result of the agreement, the investment in PGS was reclassified from equity accounted investees to assets held for sale (refer to Note 25 – Assets and liabilities held for sale).



**SPH GROUP**

In 2016, EP Slovakia B.V., EPH's subsidiary, completed the first stage of acquisition of 50% shares in Slovak Power Holding B.V. ("SPH"), which is the owner of 66% shares in Slovenské elektrárne a.s. ("SE"). The second stage involves a put or call option for the remaining 50% shares in SPH which may be used by Enel Produzione SpA ("Enel") or EP Slovakia B.V. respectively. The total price for both of the two stages of acquisition is subject to an adjustment mechanism, which will be applied upon closing of the second stage of the transaction and will reflect certain parameters, mainly the change in the net financial position of SE and the enterprise value of the Mochovce units 3 and 4 ("EMO34"). Enel provided a loan to SPH in 2018 and subsequently the conditions for the use of the put or call option were amended to reflect the loan.

Enel and EP Slovakia B.V. signed a new agreement in December 2020 that modified a number of amendments to the Contract. Enel will grant additional loans to SPH – which will in turn make them available to SE for the EMO34 construction – with maturity in 2032. The loans come in addition to the loan already disbursed by Enel and whose maturity is to be extended to 2032 (together "the Loans"). The agreement also envisages that EPH grants a loan to fund the EMO34 project. The agreement regulates the "trigger events" for which parties can exercise the respective options. The put or call options can be exercised when the latest of the following events occurs: (I) six months from the date of completion of the trial run of Mochovce's unit 4; (II) the date of completion of the first outage of Mochovce's unit 4; and (iii) the maturity of the Loans set for 2032.

The new agreement provides EPH with the possibility to exercise a "early call option" after six months from the signing of the updated Contract and until the first of the following events occurs: (I) four years from the completion of the trial run of Mochovce's unit 4 and (II) December 2028. In such a case, a floor and cap of the consideration have been introduced. When the abovementioned options are exercised, EPH will take over the outstanding amount of the Loans from Enel. In the event of the early call option exercise, EPH is expected to take over the Loans according to a plan starting from 2026, with the last tranche expected in 2032 at the latest.

Furthermore, as at 31 December 2020 the Group reported a valuation allowance of EUR 128 million (31 December 2019: EUR 90 million) to its financial investment in SPH. In 2020, the Group recognized impairment loss of EUR 41 million, the remaining change in loss allowance of positive EUR 3 million is caused by movement of FX rates. Carrying amount of the investment in SPH Group as at 31 December 2020 was EUR 195 million (2019: EUR 191 million).

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

In millions of EUR

		Ownership 31 December 2020	Share of profit (loss) 2020
Associates and joint ventures	Country	%	
LEAG Group	(1)	50.00	63
SPH Group	(1)	(2)	54
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	4
Ergosud S.p.A.	Italy	50.00	2
Greeninvest Energy, a.s.	Czech Republic	28.77	1
Kraftwerk Schkopau GbR	Germany	41.90	(2)
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	Germany	38.93	(32)
<b>Total</b>		<b>-</b>	<b>90</b>

In millions of EUR

		Ownership 31 December 2019	Share of profit (loss) 2019
Associates and joint ventures	Country	%	
LEAG Group	(1)	50.00	131
SPH Group	(1)	(2)	40
Ergosud S.p.A.	Italy	50.00	3
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	3
Kraftwerk Schkopau GbR	Germany	41.90	(2)
<b>Total</b>		<b>-</b>	<b>175</b>

(1) Country of incorporation varies, for details refer to Note 38 – Group entities.

(2) Ownership percentage varies, for details refer to Note 38 – Group entities.

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

In millions of EUR

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

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

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

In millions of EUR

Associates and joint ventures	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
SPH Group	3,018	164	(36)	128	8,613	7,635	978
Kraftwerk Schkopau GbR <sup>(1)</sup>	32	6	-	6	217	108	109
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	102	-	-	-	6	6	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	57	8	-	8	54	29	25
Fernwärme GmbH Hohenmölsen – Webau <sup>(1)</sup>	6	-	-	-	14	4	10
Energotel, a.s.	11	1	-	1	10	5	5
Greeninvest Energy, a.s.	3	2	-	2	22	9	13
Ergosud S.p.A.	58	5	-	5	283	156	127
<b>Total</b>	<b>3,287</b>	<b>186</b>	<b>(36)</b>	<b>150</b>	<b>9,219</b>	<b>7,952</b>	<b>1,267</b>

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

In millions of EUR

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
SPH Group	7,462	1,151	5,724	1,911
Kraftwerk Schkopau GbR <sup>(1)</sup>	3	214	107	1
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	6	-	6
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	23	31	20	9
Fernwärme GmbH Hohenmölsen – Webau <sup>(1)</sup>	13	1	2	2
Energotel, a.s.	4	6	-	5
Greeninvest Energy, a.s.	18	4	9	-
Ergosud S.p.A.	208	75	103	53
<b>Total</b>	<b>7,731</b>	<b>1,488</b>	<b>5,965</b>	<b>1,987</b>

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

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

In millions of EUR

Associates and joint ventures	Revenue	Profit (loss)	Other compre- hensive income	Total compre- hensive income	Assets	Liabilities	Equity
SPH Group	2,761	122	55	177	8,056	7,203	853
Kraftwerk Schkopau GbR <sup>(1)</sup>	31	7	-	7	215	106	109
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	105	-	-	-	7	7	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	59	7	-	7	60	30	30
Fernwärme GmbH Hohenmölsen – Webau <sup>(1)</sup>	5	-	-	-	14	4	10
Energotel, a.s.	12	1	-	1	12	5	7
Greeninvest Energy, a.s.	4	2	-	2	22	11	11
PT Distribuční, s.r.o.	2	1	-	1	1	1	-
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	104	(255)	-	(255)	91	376	(285)
Ergosud S.p.A.	36	7	-	7	272	150	122
<b>Total</b>	<b>3,119</b>	<b>(108)</b>	<b>55</b>	<b>(53)</b>	<b>8,750</b>	<b>7,893</b>	<b>857</b>

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

In millions of EUR

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
SPH Group	7,390	666	6,418	785
Kraftwerk Schkopau GbR <sup>(1)</sup>	5	210	105	1
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	7	-	7
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	26	34	19	11
Fernwärme GmbH Hohenmölsen – Webau <sup>(1)</sup>	14	-	1	3
Energotel, a.s.	5	7	-	5
Greeninvest Energy, a.s.	18	4	11	-
PT Distribuční, s.r.o.	1	-	1	-
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	53	38	20	356
Ergosud S.p.A.	224	48	124	26
<b>Total</b>	<b>7,736</b>	<b>1,014</b>	<b>6,699</b>	<b>1,194</b>

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

## 20. 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 2020	31 December 2020	31 December 2020	31 December 2019	31 December 2019	31 December 2019
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	20	(1,966)	(1,946)	26	(1,611)	(1,585)
Intangible assets	1	(29)	(28)	6	(33)	(27)
Investment securities at amortised cost	-	-	-	-	(2)	(2)
Inventories	12	-	12	6	-	6
Trade receivables and other assets	2	-	2	2	-	2
Provisions	121	-	121	127	-	127
Employee benefits (IAS 19)	4	(15)	(11)	8	(14)	(6)
Loans and borrowings	-	(11)	(11)	-	(15)	(15)
Tax losses	9	-	9	29	-	29
Derivatives	94	(75)	19	23	(31)	(8)
Other items	61	(44)	17	62	(68)	(6)
<b>Subtotal</b>	<b>324</b>	<b>(2,140)</b>	<b>(1,816)</b>	<b>289</b>	<b>(1,774)</b>	<b>(1,485)</b>
Set-off tax	(247)	247	-	(204)	204	-
<b>Total</b>	<b>77</b>	<b>(1,893)</b>	<b>(1,816)</b>	<b>85</b>	<b>(1,570)</b>	<b>(1,485)</b>

## MOVEMENTS IN DEFERRED TAX DURING THE YEAR

In millions of EUR

Balances related to:	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income <sup>(1)</sup>	Acquired in business combinations	Disposed entities <sup>(2)</sup>	Transfer	Effect of movements in foreign exchange rate	Balance at 31 December 2020
Property, plant and equipment	(1,585)	59	(447)	-	22	4	1	(1,946)
Intangible assets	(27)	-	-	-	-	-	(1)	(28)
Investment securities at amortised cost	(2)	2	-	-	-	-	-	-
Inventories	6	5	-	-	-	-	1	12
Trade receivables and other assets	2	-	-	-	-	-	-	2
Provisions	127	1	1	-	(5)	(1)	(2)	121
Employee benefits (IAS 19)	(6)	(5)	1	-	-	1	(2)	(11)
Loans and borrowings	(15)	-	-	-	3	-	1	(11)
Tax losses	29	(20)	-	-	-	-	-	9
Derivatives	(8)	14	8	-	3	-	2	19
Other	(6)	24	(5)	-	10	(4)	(2)	17
<b>Total</b>	<b>(1,485)</b>	<b>80</b>	<b>(442)</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>(2)</b>	<b>(1,816)</b>

(1) Includes mainly revaluation of gas distribution pipelines (FV model) in SPP – distribúcia, a.s. of negative EUR 447 million.

(2) Disposal of Pražská teplotárenská, a.s. v of EUR 19 million, PT Transit, a.s. of EUR 5 million and Kernaman S.A.S. of EUR 9 million.

In millions of EUR

Balances related to:	Balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income <sup>(1)</sup>	Acquired in business combinations <sup>(2)</sup>	Effect from PPA corrections <sup>(3)</sup>	Transfer	Effect of movements in foreign exchange rate	Balance at 31 December 2019
Property, plant and equipment	(1,046)	28	(551)	(26)	4	4	2	(1,585)
Intangible assets	(14)	(3)	-	(9)	-	-	(1)	(27)
Investment securities at amortised cost	(3)	-	-	-	-	-	1	(2)
Inventories	5	-	-	1	-	-	-	6
Trade receivables and other assets	4	(2)	-	1	-	-	(1)	2
Provisions	117	(5)	-	-	-	16	(1)	127
Employee benefits (IAS 19)	6	1	3	(16)	-	1	(1)	(6)
Loans and borrowings	(16)	(1)	-	-	-	2	-	(15)
Tax losses	18	11	-	-	-	-	-	29
Derivatives	(14)	(5)	13	-	-	-	(2)	(8)
Other	1	22	-	(8)	-	(23)	2	(6)
<b>Total</b>	<b>(942)</b>	<b>46</b>	<b>(535)</b>	<b>(57)</b>	<b>4</b>	<b>-</b>	<b>(1)</b>	<b>(1,485)</b>

(1) Includes mainly revaluation of gas transmission pipelines (FV model) in eustream a.s. of negative EUR 551 million.

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

(3) Finalisation of purchase price allocation process in NAFTA Germany GmbH of EUR 4 million.

## UNRECOGNISED DEFERRED TAX ASSETS

A deferred tax asset has not been recognised in respect of the following tax losses that are available for carry forward by certain EPH Group entities:

In millions of EUR

	31 December 2020	31 December 2019
Tax losses carried forward	481	370
<b>Total</b>	<b>481</b>	<b>370</b>

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 2020	31 December 2019
Slovak Gas Holding B.V.	175	161
Gazel Energie Generation S.A.S.	109	36
Seattle Holding B.V.	96	96
EPH Gas Holding B.V.	65	55
Czech Gas Holding Investment B.V.	13	12
EP Infrastructure a.s.	9	-
Nafta Exploration d.o.o.	4	-
PT Holding Investments B.V.	4	4
EPPE Germany a.s.	3	3
SPP Infrastructure	2	2
WOOGEL LIMITED	1	-
EP France S.A.S.	-	1
<b>Total</b>	<b>481</b>	<b>370</b>

The entities in the table represent holding companies with insignificant operating activities. The Group does not expect significant taxable profit growth on these entities, so no deferred tax was recognised. If sufficient taxable profit were to be achieved in 2020, then the associated tax income (savings) would be up to EUR 108 million (2019: EUR 83 million).

A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

In millions of EUR

	2021	2022	2023	2024	After 2025	Total
<b>Tax losses</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>99</b>	<b>376</b>	<b>481</b>

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

## 21. Inventories

In millions of EUR

	31 December 2020	31 December 2019
Fossil fuel	117	150
Inventories for trading held at fair value	101	-
Spare parts	81	111
Raw material and supplies	76	73
Finished goods and merchandise	23	9
Overburden	20	31
Work in progress	4	4
<b>Total</b>	<b>422</b>	<b>378</b>

In 2020, inventories of EUR 2,407 million (2019: EUR 2,537 million) were recognized as an expense during the year and included in Cost of sales.

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

As at 31 December 2020, inventories in the amount of EUR 57 million (2019: EUR 43 million) were subject to pledges.

## 22. Trade receivables and other assets

In millions of EUR

	31 December 2020	31 December 2019 restated <sup>(1)</sup>
Trade receivables	762	848
Accrued income <sup>(2)</sup>	139	167
Margin of stock exchange derivatives	106	55
Uninvoiced revenues	92	104
Advance payments	91	75
Value added tax receivables	68	153
Subsidies related to renewable energy	37	52
Other taxes receivables	14	17
Estimated receivables	9	11
Other receivables and assets	137	88
Allowance for bad debts	(26)	(26)
<b>Total</b>	<b>1,429</b>	<b>1,544</b>
<i>Non-current</i>	98	147
<i>Current</i>	1,331	1,397
<b>Total</b>	<b>1,429</b>	<b>1,544</b>

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

(2) For more detail on accrued income, refer to Note 34 – Financial commitments and contingencies.

In 2020, EUR 2 million receivables were written off through profit or loss (2019: EUR 10 million).

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

As at 31 December 2020, trade receivables and other assets amounting EUR 1,420 million are not past due (2019: EUR 1,518 million), remaining balance of EUR 9 million is overdue (2019: EUR 27 million). For more detailed aging analysis refer to Note 36(a) ii – Risk management – Credit risk: Impairment losses.

As at 31 December 2020 and 2019 the fair values of trade receivables and other assets equal to their carrying amounts.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 36 – Risk management policies and disclosures.



## 23. Cash and cash equivalents

In millions of EUR

	31 December 2020	31 December 2019
Current accounts with banks	1,578	1,246
Term deposits	175	-
<b>Total</b>	<b>1,753</b>	<b>1,246</b>

Term deposits and bills of exchange issued by banks with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2020 cash equivalents of EUR 421 million are subject to pledges (2019: EUR 99 million).

## 24. Restricted cash

As at 31 December 2020, the balance of restricted cash is represented mainly by EUR 15 million (2019: EUR 15 million) represents security given by Eggborough Power Limited ("EPL") to the pension fund, this is expected to remain in place until risk on the schemes funding deficit is eliminated. EUR 11 million cash on debt service reserve account by EP UK Finance Limited (2019: EUR 20 million). Remaining balance of EUR 8 million includes mainly collateral for electricity market.

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

## 25. Assets and liabilities held for sale

The following items are presented within assets/disposal groups held for sale:

In millions of EUR

	31 December 2020	31 December 2019
Property, plant and equipment	3	1
Trade receivables and other assets	1	-
<b>Total</b>	<b>4</b>	<b>1</b>

The following items are presented within Liabilities from disposal groups held for sale:

In millions of EUR

	31 December 2020	31 December 2019
Loans and borrowings	1	-
Trade payables and other liabilities	1	-
<b>Total</b>	<b>2</b>	<b>-</b>

As at 31 December 2020 balances of assets held for sale and liabilities from disposal groups held for sale are fully represented by subsidiary company Mining Services and Engineering Sp. z o.o. ("MSE") and associated company Przedsiębiorstwo Górnicze SILESIA Sp. z o.o. ("PGS"). In 2020 the Group concluded an agreement to sell the shares in MSE and PGS to a third party. The disposal is expected within 12 months and the transaction is highly probable, therefore the assets and associated liabilities are classified as held for sale. As the carrying amount of the investment in associated company PGS as at the date of reclassification into assets held for sale was zero, it is not presented in the tables above. For development after 31 December 2020, refer to Note 40 – Subsequent events.

As at 31 December 2019, balances of assets held for sale and liabilities held for sale were represented by Nová Invalidovna, a.s. This entity does not represent business but a group of land plots and unused buildings.

## 26. Equity

### SHARE CAPITAL, SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2020 consisted of 4,000,000 ordinary shares with a par value of CZK 1,000 each (2019: 18,344,932 ordinary shares with a par value of CZK 100 each and 1,700,641,760 ordinary shares with a par value of CZK 1 each).

The shareholders are entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 1,000 at the meetings of the Company's shareholders.

#### 31 DECEMBER 2020

	Number of shares	Ownership	Voting rights
	1,000 CZK	%	%
EP Corporate Group, a.s.	2,120,000	53.00	53.00
EP Investment II S.à r.l.	120,001	3.00	3.00
KUKANA ENTERPRISES LIMITED	1,759,999	44.00	44.00
<b>Total</b>	<b>4,000,000</b>	<b>100.00</b>	<b>100.00</b>

#### 31 DECEMBER 2019

	Number of shares		Ownership	Voting rights
	1 CZK	100 CZK	%	%
EP Investment S.à r.l.	1,574,538,029	2,990,835	53.00	53.00
EP Investment II S.à r.l.	126,103,731	15,354,097	47.00	47.00
<b>Total</b>	<b>1,700,641,760</b>	<b>18,344,932</b>	<b>100.00</b>	<b>100.00</b>

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

	Number of shares		
	2020		
	1 CZK	100 CZK	1,000 CZK
Shares outstanding at the beginning of the year	1,700,641,760	18,344,932	-
New shares issued	464,865,040	-	-
Share split of 100 CZK share to 1 CZK share	1,834,493,200	(18,344,932)	-
Reverse share split of 1 CZK share to 1,000 CZK share	(4,000,000,000)	-	4,000,000
<b>Shares outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>

### Equity

	Number of shares	
	2019	
	1 CZK	100 CZK
Shares outstanding at the beginning of the year	1,700,641,760	18,344,932
<b>Shares outstanding at the end of the year</b>	<b>1,700,641,760</b>	<b>18,344,932</b>

### SHARE PREMIUM

The Company recognised a Share premium of EUR 64 million in 2012.

### RESERVES

Reserves recognised in equity comprise the following items:

In millions of EUR

	31 December 2020	31 December 2019
Revaluation reserve	951	534
Hedging reserve	187	237
Other capital funds from capital contributions	23	23
Non-distributable reserves	16	16
Other capital reserves	(54)	(54)
Translation reserve	(54)	(109)
Fair value reserve	(66)	(41)
<b>Total</b>	<b>1,003</b>	<b>606</b>

### NON-DISTRIBUTABLE RESERVES

The legal reserve of EUR 16 million was reported as at 31 December 2020 (2019: EUR 16 million).

### TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group and translation of the consolidated financial statements to presentation currency.

## OTHER CAPITAL RESERVES

In 2009, the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 9 October 2009. Such subsidiaries were acquired under common control of J&T Finance Group, a.s. (which held controlling interest in the Group at the time of acquisition of the subsidiaries), and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are recorded at the book value, which was presented in the financial statements of J&T Finance Group, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward as at the acquisition date was recorded in consolidated equity as pricing differences.

In 2010, in relation to the disposal of certain subsidiaries the revaluation reserve increased by EUR 74 million. The amount corresponds not only to pricing differences assigned directly to disposed subsidiaries but also to their direct parent companies (SPEs), which, although they remained in scope, are not cash generating units as standalones and thereby do not carry any goodwill potential.

In 2011, other capital reserves increased further by EUR 56 million in relation to the several subsidiaries that were spun off to EP Industries, a.s. as a part of non-cash dividend distribution.

In 2013, other capital reserves increased by EUR 1 million due to the process of restructuring of SPP Group.

## HEDGING RESERVES

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 32 – Financial instruments and Note 36 – Risk management policies and disclosure).

## FAIR VALUE RESERVE

Fair value reserve comprises actuarial gains and losses related to IAS 19 pension plan provisions.

## REVALUATION RESERVE

Revaluation reserve represents an effect from revaluation of gas transmission and gas distribution pipelines as per IAS 16 to fair value. For detail refer to Note 3(b) and Note 4(a).

# 27. Earnings per share

## BASIC EARNINGS PER SHARE

Basic earnings per share in EUR per 1,000 CZK of share nominal value equal 0.23 (2019: 0.08).

The calculation of basic earnings per share as at 31 December 2020 was based on a profit attributable to ordinary shareholders of EUR 927 million (2019: EUR 287 million), and a weighted average number of ordinary shares outstanding of 3,963 million (2019: 3,535 million).

## WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2020

In millions of shares

	Nominal	Weighted
Issued ordinary shares as at 1 January 2020	3,535	3,535
Issued ordinary shares on 29 January 2020 (1 share/CZK 1) <sup>(1)</sup>	465	428
<b>Total</b>	<b>4,000</b>	<b>3,963</b>

(1) During 2020, shares with par value of CZK 1 and CZK 100 each were replaced by shares with par value of CZK 1,000 each. These transactions did not have an impact on the value of the share capital of the Company.

## WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2019

In millions of shares

	Nominal	Weighted
Issued ordinary shares as at 1 January 2019	3,535	3,535
<b>Total</b>	<b>3,535</b>	<b>3,535</b>

## 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.

## 28. Non-controlling interest

31 DECEMBER 2020

In millions of EUR

	Stredoslovenská energetika, a.s. and its subsidiaries	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries <sup>(3)</sup>
<b>Non-controlling percentage</b>	<sup>(5)</sup> <b>66.19%</b>	<sup>(5)</sup> <b>52.41%</b>	<sup>(5)</sup> <b>66.19%</b>
Business activity	Distribution of electricity	Gas storage and exploration	Holding entity
Country <sup>(1)</sup>	Slovakia	Germany, Slovakia	Slovakia
<b>Carrying amount of NCI at 31 December 2020</b>	<b>599</b>	<b>187</b>	<b>(327)</b>
<b>Profit (loss) attributable to non-controlling interest</b>	<b>103</b>	<b>55</b>	<b>1</b>
<b>Dividends declared</b>	<b>(96)</b>	<b>(1)</b>	<b>(268)</b>
<b>Statement of financial position<sup>(2)</sup></b>			
Total assets	1,226	795	5,585
<i>of which: non-current</i>	<i>823</i>	<i>630</i>	<i><sup>(8)</sup>5,456</i>
<i>current</i>	<i>403</i>	<i>165</i>	<i>129</i>
Total liabilities	322	438	1,021
<i>of which: non-current</i>	<i>159</i>	<i>393</i>	<i>644</i>
<i>current</i>	<i>163</i>	<i>45</i>	<i>377</i>
<b>Net assets</b>	<b>904</b>	<b>357</b>	<b>4,564</b>
<b>Statement of comprehensive income<sup>(2)</sup></b>			
Total revenues	1,018	243	617
<i>of which: dividends received</i>	<i>-</i>	<i>-</i>	<i><sup>(9)</sup>584</i>
Profit after tax	152	102	584
Total other comprehensive income for the period, net of tax	-	(2)	-
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>152</b>	<b>100</b>	<b>584</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>29</b>	<b>14</b>	<b>(10)</b>

- (1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 38 – Group entities).
- (2) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.
- (3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.
- (4) Column “Other subsidiaries” represents primarily 31% indirect non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.
- (5) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.

Non-controlling interest

SPP - distribúcia, a.s. and its subsidiaries	EP Produzione Centrale Livorno Ferraris S.P.A.	eustream, a.s.	Plzeňská teplárenská, a.s.	Other subsidiaries <sup>(4)</sup>	Total
<sup>(5)</sup> <b>66.19%</b>	<b>25.00%</b>	<sup>(5)</sup> <b>66.19%</b>	<sup>(5)</sup> <b>75.85%</b>		
Distribution of gas	Production of electricity and heat	Transmission of gas	Production and distribution of heat		
Slovakia	Italy	Slovakia	Czech Republic		
<sup>(6)</sup> <b>1,938</b>	<b>39</b>	<b>1,344</b>	<b>146</b>	<b>(492)</b>	<b>3,434</b>
<b>79</b>	<b>1</b>	<b>255</b>	<b>9</b>	<b>226</b>	<b>729</b>
<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(8)</b>	<sup>(7)</sup> <b>(364)</b>	<b>(742)</b>
4,467	200	4,413	245		
3,973	128	4,233	197		
494	72	180	48		
1,539	45	2,383	52		
949	11	2,104	25		
590	34	279	27		
<b>2,928</b>	<b>155</b>	<b>2,030</b>	<b>193</b>	<b>-</b>	<b>-</b>
447	174	747	121		
-	-	-	-		
117	3	374	11		
1,314	-	(54)	-		
<b>1,431</b>	<b>3</b>	<b>320</b>	<b>11</b>	<b>-</b>	<b>-</b>
<b>11</b>	<b>(2)</b>	<b>(146)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>

- (6) Increase of non-controlling interest on SPP - distribúcia, a.s. relates to revaluation of property, plant and equipment of EUR 1,315 million, increasing non-controlling interest by EUR 871 million.
- (7) Dividends in amount of EUR 356 million were paid by EP Infrastructure, a.s.
- (8) Includes EUR 4,914 million as financial investments in eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.
- (9) Includes dividends from eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

## 31 DECEMBER 2019

In millions of EUR

	Pražská teplárenská a.s. and its subsidiaries	Stredoslovenská energetika, a.s. and its subsidiaries	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries <sup>(3)</sup>
<b>Non-controlling percentage</b>	<b>31.00%</b>	<sup>(5)</sup> <b>66.19%</b>	<sup>(5)</sup> <b>52.41%</b>	<sup>(5)</sup> <b>66.19%</b>
Business activity	Production and distribution of heat	Distribution of electricity	Gas storage and exploration	Distribution of gas
Country <sup>(1)</sup>	Czech Republic	Slovakia	Germany, Slovakia	Slovakia
<b>Carrying amount of NCI at 31 December 2019</b>	<b>84</b>	<b>623</b>	<b>172</b>	<b>(369)</b>
<b>Profit (loss) attributable to non-controlling interest</b>	<b>7</b>	<b>84</b>	<b>42</b>	<b>-</b>
<b>Dividends declared</b>	<b>(9)</b>	<b>(5)</b>	<b>(1)</b>	<b>(340)</b>
<b>Statement of financial position<sup>(2)</sup></b>				
Total assets	343	1,256	855	6,253
<i>of which: non-current</i>	<i>275</i>	<i>827</i>	<i>757</i>	<sup>(8)</sup> <i>5,461</i>
<i>current</i>	<i>68</i>	<i>429</i>	<i>98</i>	<i>792</i>
Total liabilities	72	314	527	1,746
<i>of which: non-current</i>	<i>42</i>	<i>142</i>	<i>476</i>	<i>546</i>
<i>current</i>	<i>30</i>	<i>172</i>	<i>51</i>	<i>1,200</i>
<b>Net assets</b>	<b>271</b>	<b>942</b>	<b>328</b>	<b>4,507</b>
<b>Statement of comprehensive income<sup>(2)</sup></b>				
Total revenues	204	1,209	217	654
<i>of which: dividends received</i>	<i>-</i>	<i>-</i>	<i>-</i>	<sup>(9)</sup> <i>608</i>
Profit after tax	23	127	80	608
Total other comprehensive income for the period, net of tax		-	3	-
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>23</b>	<b>127</b>	<b>83</b>	<b>608</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>-</b>	<b>86</b>	<b>(13)</b>	<b>4</b>

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 38 – Group entities).

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

(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.

(4) Column “Other subsidiaries” represents primarily 31% non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.

(5) Even though the immediate parent companies holds less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups activities and influence thus their performance and return on the investment.

(6) Increase of non-controlling interest on eustream, a.s. relates to revaluation of property, plant and equipment of EUR 1,615 million, increasing non-controlling interest by EUR 1,070 million.

(7) Dividends in amount of EUR 124 million were paid by EP Infrastructure, a.s.

(8) Includes EUR 4,907 million as financial investments in eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

(9) Includes dividends from eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

SPP - distribúcia, a.s. and its subsidiaries	EP Produzione Centrale Livorno Ferraris S.P.A.	eustream, a.s.	Plzeňská teplárenská, a.s.	Other subsidiaries <sup>(4)</sup>	Total
<sup>(5)</sup> <b>66.19%</b>	<b>25.00%</b>	<sup>(5)</sup> <b>66.19%</b>	<sup>(5)</sup> <b>75.85%</b>		
Distribution of gas	Production of electricity and heat	Distribution of gas	Production and distribution of heat		
Slovakia	Italy	Slovakia	Czech Republic		
<b>1,068</b>	<b>42</b>	<sup>(6)</sup> <b>1,409</b>	<b>151</b>	<b>(576)</b>	<b>2,604</b>
<b>89</b>	<b>2</b>	<b>272</b>	<b>10</b>	<b>10</b>	<b>516</b>
<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(8)</b>	<sup>(7)</sup> <b>(131)</b>	<b>(498)</b>
2,781	211	4,736	252		
2,233	138	4,335	196		
548	73	401	56		
1,168	41	2,606	52		
1,018	12	1,702	24		
150	29	904	28		
<b>1,613</b>	<b>170</b>	<b>2,130</b>	<b>200</b>	<b>-</b>	<b>-</b>
440	248	830	115		
-	-	-	-		
134	7	412	13		
1	-	1,612	-		
<b>135</b>	<b>7</b>	<b>2,024</b>	<b>13</b>	<b>-</b>	<b>-</b>
<b>21</b>	<b>1</b>	<b>188</b>	<b>3</b>	<b>-</b>	<b>-</b>



## 29. Loans and borrowings

In millions of EUR

	31 December 2020	31 December 2019
Issued debentures at amortised costs	3,934	4,078
Loans payable to credit institutions	1,683	1,760
Revolving credit facility	192	293
Lease liabilities	161	145
Factoring loans	24	54
Loans payable to other than credit institutions	10	12
Bank overdraft	-	49
<b>Total</b>	<b>6,004</b>	<b>6,391</b>
<i>Non-current</i>	4,770	4,666
<i>Current</i>	1,234	1,725
<b>Total</b>	<b>6,004</b>	<b>6,391</b>

The weighted average interest rate on loans and borrowings (excluding debentures) for 2020 was 1.89% (2019: 2.04%).

### ISSUED DEBENTURES AT AMORTISED COSTS

Details about debentures issued as at 31 December 2020 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/premium/discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond II	500	12	(3)	12/02/2025	2.625	2.685
SPPD bond	500	7	(1)	23/06/2021	2.625	2.828
EP Infrastructure 2024 notes	750	8	(3)	26/04/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(3)	30/07/2026	1.698	1.795
EP Infrastructure 2027 Private offering	70	-	(1)	08/04/2027	<sup>(1)</sup> 2.150	2.360
EP Infrastructure 2028 notes	500	2	(3)	09/10/2028	2.045	2.117
eustream bond	500	5	(3)	25/6/2027	1.625	1.759
EPH Financing CZ 2022 notes	99	1	-	16/07/2022	<sup>(2)</sup> 2.360	3.440
EPH Financing CZ 2025 notes	286	4	(4)	17/03/2025	4.500	4.870
EPH Private placements	107	-	-	18/03/2023 – 14/08/2025	(3)	(3)
<b>Total</b>	<b>3,912</b>	<b>43</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (1) Interest rate is a combination of reference interest rate (6M EURIBOR) floored at 0.00% p.a. and margin of 2.15% p.a. set for relevant interest period.  
(2) Interest rate is a combination of reference interest rate (6M PRIBOR) and margin of 2.00% p.a. set for relevant interest period.  
(3) Interest rates vary per issue and are fixed or a combination of reference interest rate (6M EURIBOR) floored at 1.00% and margin set for relevant interest period.

### Loans and borrowings

Details about debentures issued as at 31 December 2019 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/premium/discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond I	750	13	-	18/07/2020	3.750	3.773/3.717
SPP Infrastructure Financing bond II	500	12	(4)	12/02/2025	2.625	2.685
SPPD bond	500	8	(1)	23/06/2021	2.625	2.828
EP Infrastructure 2024 notes	750	8	(4)	26/04/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(4)	30/07/2026	1.698	1.795
EP Infrastructure 2027 Private offering	70	-	(1)	08/04/2027	<sup>(1)</sup> 2.150	2.360
EP Infrastructure 2028 notes	500	2	(3)	09/10/2028	2.045	2.117
EPH Financing CZ 2020 notes	118	-	-	09/06/2020	3.500	3.900
EPH Financing CZ 2022 notes	102	2	-	16/07/2022	<sup>(2)</sup> 4.220	3.440
EPH Financing SK 2020 notes	75	1	-	28/08/2020	3.500	4.060
EPH 2020 Private placement I	61	-	1	08/03/2020	2.500	2.500
EPH 2020 Private placement II	18	-	-	28/06/2020	2.500	2.500
<b>Total</b>	<b>4,044</b>	<b>50</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (1) Interest rate is a combination of reference interest rate (6M EURIBOR) floored at 0.00% p.a. and margin of 2.15% p.a. set for relevant interest period.  
(2) Interest rate is a combination of reference interest rate (6M PRIBOR) and margin of 2.00% p.a. set for relevant interest period.

### EP INFRASTRUCTURE BONDS (2024 NOTES)

On 26 April 2018, EP Infrastructure successfully placed at par its debut international offering of EUR 750 million. Notes are issued in nominal value of EUR 100,000 each and bear 1.659% fixed rate and are unsecured (“2024 Notes”). The 2024 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2024 Notes will be redeemed at their principal amount on 26 April 2024.

The Group may prematurely redeem all, but not part, of the 2024 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, the Group may redeem all, but not part, of the 2024 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2024 Notes prematurely at the principal amount of 100 % of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2024 Notes contain a covenant limiting certain types of distributions to issuer’s shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group’s net debt to Group’s EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2024 Notes are stated net of debt issue costs of EUR 5 million (at inception). These costs are allocated to the profit and loss account over the term of the 2024 Notes through the effective interest rate of 1.786%.

**EP INFRASTRUCTURE BONDS (2026 NOTES)**

On 30 July 2019, EP Infrastructure successfully placed at par its offering of EUR 600 million 1.698% fixed rate unsecured notes due in July 2026 in the denomination of EUR 100,000 each ("2026 Notes"). The 2026 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2026 Notes will be redeemed at their principal amount on 30 July 2026. The Group may prematurely redeem all, but not part, of the 2026 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2026 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2026 Notes prematurely at the principal amount of 100 % of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2026 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2026 Notes are stated net of debt issue costs of EUR 4 million. These costs are allocated to the profit and loss over the term of the 2026 Notes through the effective interest rate of 1.795%.

**PRIVATE OFFERING (2027 NOTES)**

On 8 April 2019, EP Infrastructure, a.s. placed EUR 70 million eight-year notes, which were accepted for trading at the Third Market operated by Vienna Stock Exchange. The notes bear interest at 6M EURIBOR +2.15%, are unsecured and due in April 2027 ("Private Offering"). The Group may prematurely redeem all, but not part, of the Private Offering at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any. Further, the Group may redeem all, but not part, of the Private Offering at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the Private Offering prematurely at the principal amount of 100 % of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2027 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The Private Offering is stated net of debt issue costs of EUR 1 million. These costs are allocated to the profit and loss over the term of the Private Offering through the effective interest rate of 2.36%.

**EP INFRASTRUCTURE BONDS (2028 NOTES)**

On 9 October 2019, EP Infrastructure, a.s. successfully placed at par its offering of EUR 500 million 2.045% fixed rate unsecured notes due in October 2028 in the denomination of EUR 100,000 each ("2028 Notes"). The 2028 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 9 October 2028.

The Group may prematurely redeem all, but not part, of the 2028 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2028 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2028 Notes prematurely at the principal amount of 100 % of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2028 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2028 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2028 Notes through the effective interest rate of 2.117%.

**2021 SPPD BOND**

On 23 June 2014, SPP - distribúcia, a.s. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The maturity of bonds is on 23 June 2021. The 2021 SPPD bond is stated net of debt issue costs of EUR 3 million (at inception). These costs are allocated to the profit and loss account through the effective interest rate of 2.828%.

**SPP INFRASTRUCTURE FINANCING BOND II (2025 NOTES)**

On 12 February 2015, SPP Infrastructure Financing B.V. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The maturity of bonds is on 12 February 2025. The 2020 SPP IF bond is stated net of debt issue costs of EUR 1 million (at inception). These costs are allocated to the profit and loss account through the effective interest rate of 2.685%.

## 2027 EUSTREAM BOND

On 25 June 2020, eustream, a.s. issued 7-year senior unsecured bond in the total amount of EUR 500 million bearing fixed interest rate of 1.625% per annum. Coupon is payable annually in arrears on 25 June of each year. The 2027 eustream bond is reported net of debt issue costs of EUR 2 million. These costs are allocated to the profit and loss account using effective interest rate of 1.759%.

Eustream may prematurely redeem all, but not part, of the 2027 eustream bond at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, eustream may redeem all, but not part, of the 2027 eustream bond at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, eustream may be required to offer to redeem the 2027 eustream bond prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2027 eustream bond contains a covenant limiting certain types of distributions to issuer’s shareholders in certain circumstances. Eustream has to monitor the ratio of total amount of its net debt to its EBITDA (i.e. net leverage) before certain types of distributions are carried out.

## EPH FINANCING CZ (2022 NOTES)

On 16 July 2018, EPH Financing CZ, a.s. issued bonds with the expected total principal amount of EUR 117 million (CZK 3,000 million), with a possibility to increase the total principal of the bonds by 50% to CZK 4,500 million. Total principal of bonds issued as at 31 December 2020 amounts to EUR 99 million (CZK 2,601 million). The maturity of the bonds is 16 July 2022.

The 2022 Notes bear a combined interest of variable interest reference rate 6M PRIBOR and margin of 2.00% per annum, payable semi-annually in arrears on 16 January and 16 July of each year.

EPH Financing CZ, a.s. may redeem some or all of the 2022 Notes at any time and price on the market or otherwise. Unless redeemed prematurely (the option of premature redemption is not currently being considered by the company), the 2022 Notes will be redeemed by the Group in their principal amount on 16 July 2022.

The EPH Financing CZ 2022 bond is stated net of debt issue costs. These costs are allocated to the profit and loss account through the effective interest rate of EUR 3.44%.

## EPH FINANCING CZ (2025 NOTES)

On 17 March 2020, EPH Financing CZ, a.s. issued bonds with the expected total principal amount of EUR 202 million (CZK 5,000 million), with a possibility to increase the total principal of the bonds by 50% to CZK 7,500 million. Total principal of bonds issued as at 31 December 2020 amounts to EUR 286 million (CZK 7,500 million). The maturity of the bonds is 17 March 2025.

The 2025 Notes bear a fixed interest rate of 4.500% p.a. The EPH Financing CZ 2025 bond is stated net of debt issue costs. These costs are allocated to the profit and loss account through effective interest rate of 4.87%.

## EPH 2023 AND 2025 PRIVATE PLACEMENTS

In course of 2020, Energetický a průmyslový holding, a.s. issued 3-Year Fixed Rate Private Placement Bonds due in 2023 and 5-Year Fixed Rate Private Placement Bonds due in 2025 in total volume of EUR 107 million (the “Issues”). EPH has used the proceeds of the Issues for general corporate purposes.

## OTHER LOANS AND BORROWINGS

## TERMS AND DEBT REPAYMENT SCHEDULE

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

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/20	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2029	1,353	329	899	125
Secured bank loan	GBP	variable*	2023	119	6	113	-
Unsecured bank loan	EUR	fixed	2033	116	83	20	13
Secured bank loan	EUR	variable*	2025	95	24	71	-
Unsecured loan	EUR	fixed	2025	8	-	8	-
Unsecured loan	CZK	fixed	2021	2	2	-	-
Revolving credit facility	EUR	variable*	2025	99	89	10	-
Revolving credit facility	GBP	variable*	2023	44	11	33	-
Revolving credit facility	USD	fixed	2021	20	20	-	-
Revolving credit facility	EUR	fixed	2021	15	15	-	-
Revolving credit facility	CZK	variable	2021	10	10	-	-
Revolving credit facility	USD	variable*	2021	4	4	-	-
Factoring loan	EUR	fixed	2021	14	14	-	-
Factoring loan	EUR	variable*	2021	10	10	-	-
Lease liabilities	-	-	-	161	29	72	60
<b>Total interest-bearing liabilities</b>				<b>2,070</b>	<b>646</b>	<b>1,226</b>	<b>198</b>

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

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

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/19	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2029	1,307	281	852	174
Secured bank loan	GBP	variable*	2023	206	45	161	-
Secured bank loan	EUR	variable*	2025	149	48	84	17
Unsecured bank loan	EUR	fixed	2033	98	83	10	5
Unsecured loan	EUR	fixed	2027	8	-	6	2
Unsecured loan	CZK	fixed	2025	3	-	3	-
Unsecured loan	PLN	variable*	2025	1	-	1	-
Revolving credit facility	EUR	variable*	2024	220	25	195	-
Revolving credit facility	GBP	variable*	2023	47	12	35	-
Revolving credit facility	EUR	fixed	2020	16	16	-	-
Revolving credit facility	CZK	variable	2020	10	10	-	-
Factoring loan	EUR	variable*	2020	44	44	-	-
Factoring loan	EUR	fixed	2020	10	10	-	-
Bank overdraft	EUR	variable*	2020	47	47	-	-
Bank overdraft	CZK	variable*	2020	2	2	-	-
Lease liabilities	-	-	-	145	29	65	51
<b>Total interest-bearing liabilities</b>				<b>2,313</b>	<b>652</b>	<b>1,412</b>	<b>249</b>

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

#### EPIF FACILITY AGREEMENT

EP Infrastructure, a.s. is a party to a term and revolving facilities agreement dated 14 January 2020 with a group of financing banks (the “EPIF’s Facilities Agreement”), pursuant to which EPIF has been provided with term facility A in the amount of EUR 400 million due 14 January 2025 and revolving facility B with a committed limit of EUR 400 million due 14 January 2025.

The debts of EPIF under the EPIF’s Facilities Agreement are general, senior unsecured debts of the EPIF and rank equally in right of payment with the EPIF’s existing and future indebtedness that is not subordinated in right of payment.

The EPIF’s Facilities Agreement contains restrictive provisions which, among other things, limit the Group’s ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or the Issuer’s ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. For example, the Issuer can make distributions and certain other payments and the Group can perform acquisitions

if, among other things, the Group net leverage does not exceed a certain limit, and the Group can incur additional financial indebtedness if, among other things, certain net leverage limits set for various Group levels are met. The EPIF’s Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment.

#### SCHULDSCHEIN LOANS

On 15 April 2019, EPIF entered into two Schuldschein loan agreements. The first loan amounted to EUR 134.5 million due on 24 April 2024, and the second loan amounted to EUR 48 million due on 24 April 2026.

The debts of EPIF under the Schuldschein loan agreements are general, senior unsecured debts of the EPIF and rank equally in right of payment with EPIF’s existing and future indebtedness that is not subordinated in right of payment. The Schuldschein Loan Agreements contain certain restrictive provisions and also a change of control provision the triggering of which may result in mandatory prepayment.

#### NAFTA FACILITIES AGREEMENT

NAFTA a.s. is a party to a senior term and revolving facilities agreement dated 25 January 2019 with a group of financing banks (the “NAFTA’s Facilities Agreement”), pursuant to which the NAFTA has been provided with a term facility in the amount of EUR 175 million due 25 January 2024 and a revolving facility with a committed limit of EUR 75 million due 25 January 2024.

The obligations of NAFTA under the NAFTA’s Facilities Agreement are general, senior unsecured obligations and rank equally in right of payment with the Issuer’s existing and future indebtedness that is not subordinated in right of payment.

The NAFTA’s Facilities Agreement contains restrictive provisions which, among other things, limit the NAFTA’s ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or the NAFTA’s ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. The NAFTA’s Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory repayment.

**FAIR VALUE INFORMATION**

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

In millions of EUR

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Issued debentures at amortised costs	3,934	4,002	4,078	4,124
Loans payable to credit institutions	1,683	1,671	1,760	1,754
Revolving credit facility	192	192	293	295
Lease liabilities	161	164	145	149
Factoring loans	24	25	54	54
Loans payable to other than credit institutions	10	10	12	12
Bank overdraft	-	-	49	49
<b>Total</b>	<b>6,004</b>	<b>6,064</b>	<b>6,391</b>	<b>6,437</b>

Issued debentures are categorised within Level 1 or 2 of the fair value hierarchy. Bank loans are categorised within Level 2 or 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

**SIGNIFICANT INVESTING AND FINANCING ACTIVITIES NOT REQUIRING CASH:**

In millions of EUR

	<b>31 December 2020</b>	<b>31 December 2019</b>
Investing activities	10	121
Financing activities	270	340
<b>Total</b>	<b>280</b>	<b>461</b>

For the years 2020 and 2019 non-cash financing activities include partial set-off of SPPI loan provided to Slovenský plynárenský priemysel, a.s. The total amount of the loan was EUR 270 million (2019: EUR 340 million), of which the amount of EUR 270 million (2019: EUR 340 million) was set-off against dividends declared by SPPI to Slovenský plynárenský priemysel, a.s.

For the year 2020 non-cash investing activities in amount of EUR 10 million represent EPH loan provided to equity accounted investee which was partially set-off against trade liability to the equity accounted investee (2019: EUR 121 million represent EPH loan provided to shareholders which was set-off against dividends declared by EPH to its shareholders.).



**RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES**

In millions of EUR

	Liabilities				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft
<b>Balance at 1 January 2020</b>	<b>1,760</b>	<b>12</b>	<b>293</b>	<b>54</b>	<b>49</b>
<i>Changes from financing cash flows</i>					
Proceeds from loans and borrowings	1,341	-	76	12	46
Repayment of borrowings	(1,403)	(2)	(180)	(42)	(95)
Transaction cost related to loans and borrowings	(4)	-	-	-	-
Other finance fees, net	27	-	-	-	-
Payment of lease liabilities	-	-	-	-	-
Proceeds from issue of share capital	-	-	-	-	-
Set-off of dividends with loans provided	-	-	-	-	-
Dividend paid	-	-	-	-	-
<b>Total change from financing cash flows</b>	<b>(39)</b>	<b>(2)</b>	<b>(104)</b>	<b>(30)</b>	<b>(49)</b>
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-
Total effect of changes in foreign exchange rates	(26)	-	3	-	-
<i>Other changes</i>					
<b>Liability related</b>					
Interest expense	54	6	5	-	-
Interest paid	(66)	(6)	(5)	-	-
Increase of lease liability	-	-	-	-	-
Liability from dividends not paid	-	-	-	-	-
<b>Total liability-related other changes</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity related</b>					
Other equity related changes	-	-	-	-	-
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2020</b>	<b>1,683</b>	<b>10</b>	<b>192</b>	<b>24</b>	<b>-</b>

	Equity					Total
	Issued debentures	Lease liabilities	Share capital/premium	Reserves	Retained earnings	
	<b>4,078</b>	<b>145</b>	<b>216</b>	<b>606</b>	<b>536</b>	<b>10,353</b>
	891	-	-	-	-	<b>2,366</b>
	(1,016)	-	-	-	-	<b>(2,738)</b>
	(9)	-	-	-	-	<b>(13)</b>
	-	-	-	-	-	<b>27</b>
	-	(39)	-	-	-	<b>(39)</b>
	-	-	18	-	-	<b>18</b>
	-	-	-	-	(270)	<b>(270)</b>
	-	-	-	-	(780)	<b>(1,252)</b>
	<b>(134)</b>	<b>(39)</b>	<b>18</b>	<b>-</b>	<b>(780)</b>	<b>(1,901)</b>
	-	(8)	-	10	(11)	<b>(11)</b>
	(11)	2	-	38	-	<b>8</b>
	108	4	-	-	-	<b>177</b>
	(107)	(3)	-	-	-	<b>(187)</b>
	-	60	-	-	-	<b>60</b>
	-	-	-	-	17	<b>17</b>
	<b>1</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>67</b>
	-	-	-	349	954	<b>2,875</b>
	-	-	-	<b>349</b>	<b>954</b>	<b>2,875</b>
	<b>3,934</b>	<b>161</b>	<b>234</b>	<b>1,003</b>	<b>716</b>	<b>11,391</b>

In millions of EUR

	Liabilities				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft
Balance at 1 January 2019	2,203	17	326	43	39
Changes from financing cash flows					
Proceeds from loans and borrowings	1,070	-	369	11	59
Repayment of borrowings	(1,558)	(5)	(406)	-	-
Transaction cost related to loans and borrowings	(14)	-	-	-	-
Payment of lease liabilities	-	-	-	-	-
Set-off of dividends with loans provided	-	-	-	-	-
Dividend paid	-	-	-	-	-
Total change from financing cash flows	(502)	(5)	(37)	11	59
Changes arising from obtaining or losing of control of subsidiaries	43	-	-	-	(50)
Total effect of changes in foreign exchange rates	14	1	4	-	1
Other changes					
Liability related					
Interest expense	52	8	6	-	-
Interest paid	(50)	(9)	(6)	-	-
Lease liability (impact of IFRS16)	-	-	-	-	-
Liability from dividends not paid	-	-	-	-	-
Total liability-related other changes	2	(1)	-	-	-
Equity related					
Other equity related changes	-	-	-	-	-
Total equity-related other changes	-	-	-	-	-
Balance at 31 December 2019	1,760	12	293	54	49

Equity						
Issued debentures	Lease liabilities	Share capital/ premium	Reserves	Retained earnings	Non-controlling interest	Total
3,313	2	216	337	1,080	1,504	9,080
1,261	-	-	-	-	-	2,770
(499)	-	-	-	-	-	(2,468)
(8)	-	-	-	-	-	(22)
-	(28)	-	-	-	-	(28)
-	-	-	-	(121)	(340)	(461)
-	-	-	-	(746)	(170)	(916)
754	(28)	-	-	(867)	(510)	(1,125)
-	22	-	-	30	15	60
8	(3)	-	(7)	-	(1)	17
118	3	-	-	-	-	187
(115)	(1)	-	-	-	-	(181)
-	150	-	-	-	-	150
-	-	-	-	-	12	12
3	152	-	-	-	12	168
-	-	-	276	293	1,584	2,153
-	-	-	276	293	1,584	2,153
4,078	145	216	606	536	2,604	10,353

## 30. Provisions

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decommissioning <sup>(5)</sup>	Other	Total
<b>Balance at 1 January 2020<sup>(1)</sup></b>	<b>337</b>	<b>435</b>	<b>149</b>	<b>44</b>	<b>1,082</b>	<b>74</b>	<b>2,121</b>
Provisions made during the year	87	454	-	2	75	18	<b>636</b>
Provisions used during the year	(37)	(430)	-	-	(33)	(7)	<b>(507)</b>
Provisions reversed during the year	(18)	-	(66)	(4)	(16)	(5)	<b>(109)</b>
Acquisitions through business combinations <sup>(2)</sup>	-	-	-	-	28	-	<b>28</b>
Disposed entities <sup>(3)</sup>	(17)	(30)	-	-	(7)	(6)	<b>(60)</b>
Transfer	-	-	-	3	(1)	(2)	<b>-</b>
Unwinding of discount <sup>(4)</sup>	3	-	-	-	9	-	<b>12</b>
Effects of movements in foreign exchange rate	(3)	(8)	(6)	-	-	(3)	<b>(20)</b>
<b>Balance at 31 December 2020</b>	<b>352</b>	<b>421</b>	<b>77</b>	<b>45</b>	<b>1,137</b>	<b>69</b>	<b>2,101</b>
<i>Non-current</i>	<i>347</i>	<i>22</i>	<i>57</i>	<i>27</i>	<i>1,063</i>	<i>47</i>	<b><i>1,563</i></b>
<i>Current</i>	<i>5</i>	<i>399</i>	<i>20</i>	<i>18</i>	<i>74</i>	<i>22</i>	<b><i>538</i></b>

- (1) Restated 2019 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 3.
- (2) The purchase of Humbly Grove Energy Limited.
- (3) Disposal of Kernaman S.A.S., Pražská teplárenská a.s., Budapesti Erőmű Zrt. and Energia-pro Zrt.
- (4) Unwinding of discount is included in interest expense.
- (5) As at 31 December 2020, the balance in amount of EUR 436 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 194 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. The balance in amount of EUR 219 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 288 million represents other decommissioning provisions.

### Provisions

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decommissioning <sup>(4)</sup>	Other	Total
<b>Balance at 1 January 2019</b>	<b>128</b>	<b>248</b>	<b>11</b>	<b>17</b>	<b>892</b>	<b>46</b>	<b>1,342</b>
Provisions made during the year	46	388	-	22	55	20	<b>531</b>
Provisions used during the year	(37)	(254)	(26)	-	(37)	(4)	<b>(358)</b>
Provisions reversed during the year	(2)	-	(5)	-	(43)	(10)	<b>(60)</b>
Acquisitions through business combinations <sup>(1)(2)</sup>	199	49	164	5	201	21	<b>639</b>
Effect from PPA correction	-	-	-	-	2	-	<b>2</b>
Unwinding of discount <sup>(3)</sup>	2	-	-	-	11	-	<b>13</b>
Effects of movements in foreign exchange rate	1	4	5	-	1	1	<b>12</b>
<b>Balance at 31 December 2019<sup>(1)</sup></b>	<b>337</b>	<b>435</b>	<b>149</b>	<b>44</b>	<b>1,082</b>	<b>74</b>	<b>2,121</b>
<i>Non-current</i>	<i>310</i>	<i>14</i>	<i>103</i>	<i>26</i>	<i>1,032</i>	<i>51</i>	<b><i>1,536</i></b>
<i>Current</i>	<i>27</i>	<i>421</i>	<i>46</i>	<i>18</i>	<i>50</i>	<i>23</i>	<b><i>585</i></b>

- (1) Restated 2019 comparative information includes modifications described in Note 3(a) – Restatement of comparative information and Appendix 3.
- (2) The purchase of Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited, EP France Group, Locon Group and Tynagh Energy Limited.
- (3) Unwinding of discount is included in interest expense.
- (4) As at 31 December 2019, the balance in amount of EUR 445 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 202 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. The balance in amount of EUR 177 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 258 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 352 million (2019: EUR 337 million) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, Helmstedter Revier GmbH, Gazel Energie Generation S.A.S., Kraftwerk Mehrum GmbH, Eggborough Power Limited, EP Ballylumford Limited, Stredoslovenská distribučná, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, eustream, a.s., Stredoslovenská energetika a.s., EP Produzione S.p.A., Fiume Santo S.p.A., EP Produzione Centrale Livorno Ferraris S.p.A., Elektrárny Opatovice, a.s., Pražská teplárenská, a.s. (until 3 November 2020) and United Energy, a.s.

**I. MITTELDEUTSCHE BRAUNKOHLENGESSELLSCHAFT GMBH**

The provision recorded by Mitteldeutsche Braunkohlengesellschaft GmbH amounts to EUR 19 million (2019: EUR 10 million), of which EUR 4 million (2019: EUR 4 million) represents a defined benefit pension scheme. The remaining balance of EUR 15 million (2019: EUR 6 million) represents other unfunded employee benefits paid for work and life jubilees and anniversaries.

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

In millions of EUR

	2020	2019
<b>Plan A</b>		
Fair value of plan asset	3	4
Present value of obligations	(5)	(6)
<b>Total employee benefit (asset)</b>	<b>(2)</b>	<b>(2)</b>
<b>Plan B</b>		
Fair value of plan asset	2	2
Present value of obligations	(3)	(3)
<b>Total employee benefit (asset)</b>	<b>(1)</b>	<b>(1)</b>
<b>Plan C</b>		
Fair value of plan asset	-	-
Present value of obligations	(1)	(1)
<b>Total employee benefit (asset)</b>	<b>(1)</b>	<b>(1)</b>

**MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS**

In millions of EUR

	Plan A	Plan B	Plan C	Total
<b>Balance at 1 January 2020</b>	<b>(6)</b>	<b>(3)</b>	<b>(1)</b>	<b>(10)</b>
Benefits paid by plan	1	-	-	1
Actuarial gains (losses)	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>(5)</b>	<b>(3)</b>	<b>(1)</b>	<b>(9)</b>

In millions of EUR

	Plan A	Plan B	Plan C	Total
<b>Balance at 1 January 2019</b>	<b>(6)</b>	<b>(2)</b>	<b>(1)</b>	<b>(9)</b>
Benefits paid by plan	-	-	-	-
Actuarial gains (losses)	-	(1)	-	(1)
<b>Balance at 31 December 2019</b>	<b>(6)</b>	<b>(3)</b>	<b>(1)</b>	<b>(10)</b>

**MOVEMENT IN FAIR VALUE OF PLAN ASSETS**

In millions of EUR

	Plan A	Plan B	Plan C	Total
<b>Balance at 1 January 2020</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>6</b>
Benefits paid by plan	(1)	-	-	(1)
Contributions to plan assets	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>5</b>

In millions of EUR

	Plan A	Plan B	Plan C	Total
<b>Balance at 1 January 2019</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>6</b>
Benefits paid by plan	-	-	-	-
Contributions to plan assets	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>6</b>

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

#### AS AT 31 DECEMBER 2020

In %

	Plan A	Plan B	Plan C
Discount rate	(0.02)	0.05	0.62
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	0.00	0.00	0.00
Mortality & disability	(1)	(1)	(1)

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

#### AS AT 31 DECEMBER 2019

In %

	Plan A	Plan B	Plan C
Discount rate	0.00	0.21	0.78
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	0.00	0.00	0.00
Mortality & disability	(1)	(1)	(1)

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

## II. HELMSTEDTER REVIER GMBH

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

In millions of EUR

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

#### MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

In millions of EUR

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

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

In millions of EUR

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



## MOVEMENT IN FAIR VALUE OF PLAN ASSETS

In millions of EUR

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

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

In millions of EUR

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

## EXPENSE RECOGNISED IN PROFIT AND LOSS

In millions of EUR

	2020	2019
Current service costs	(1)	(1)
Current interest costs	-	(1)
<b>Total</b>	<b>(1)</b>	<b>(2)</b>

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

## AS AT 31 DECEMBER 2020

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	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>

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

## AS AT 31 DECEMBER 2019

In %

	Plan A	Plan B	Early Retirement
Discount rate	0.54	0.54	0.00
Expected return on assets	0.00	0.00	0.00
Annual rate of increase in salaries	0.00	0.00	0.00
Post retirement pension increase	1.75	1.75	1.00
Mortality & disability	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>

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

## III. GAZEL ENERGIE GENERATION S.A.S.

The provision recorded by Gazel Energie Generation S.A.S. amounts to EUR 185 million (2019: EUR 160 million), of which EUR 185 million (2019: EUR 160 million) represents a defined benefit pension scheme.

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

In millions of EUR

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

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

In millions of EUR

	Plan A	Plan B	Plan C	Plan D	Total
<b>Balance at 1 January 2020</b>	<b>(53)</b>	<b>(5)</b>	<b>(122)</b>	<b>(2)</b>	<b>(182)</b>
Benefits paid by plan	3	-	-	-	<b>3</b>
Current service costs	(3)	3	2	-	<b>2</b>
Current interest costs	(1)	-	(1)	-	<b>(2)</b>
Actuarial gains (losses)	(4)	-	(17)	-	<b>(21)</b>
Disposal entities <sup>(1)</sup>	5	1	8	1	<b>15</b>
<b>Balance at 31 December 2020</b>	<b>(53)</b>	<b>(1)</b>	<b>(130)</b>	<b>(1)</b>	<b>(185)</b>

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

In millions of EUR

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

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

AS AT 31 DECEMBER 2020

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	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>

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

AS AT 31 DECEMBER 2019

In %

	Plan A	Plan B	Plan C	Plan D
Discount rate	1.40	1.50	1.40	1.25
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	1.75	2.50	0.00	2.50
Post retirement pension increase	2.00	0.00	0.00	0.00
Mortality & disability	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>

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

#### IV. SSE HOLDING GROUP

##### PENSION PLANS

This program has a defined contribution pension plan under which the Group pays fixed contributions to third parties or government. The Group has no legal or constructive obligation to pay further funds, if the amount of plan assets is insufficient to pay all the performance of employees who are eligible for the current and prior periods.

The amount of benefits depends on several factors, such as age, years of service and salary.

##### UNFUNDED PENSION PLAN WITH DEFINED BENEFIT

From 2020, the companies within the SSE Holding Group signed individual collective agreements for the period 2020–2022, the Companies are obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary:

Years of service	Multiples of average monthly wage
10 years or less	2
11–15 years	4
16–20 years	5
21–25 years	6
25 years and more	7

The minimum requirement of the Labour Code to post the retirement, equal to one average monthly salary, is included in the above multiples.

##### OTHER BENEFITS

The SSE Holding Group also pays benefits for work and life anniversaries:

- one monthly wage after 25 years of service;
- 40% to 110% of the employee's monthly salary depending on seniority in the Group at the age of 50.

The Group had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

#### V. NAFTA GERMANY AND ITS SUBSIDIARIES

Through employer-funded company pension scheme the Group makes a contribution to employees' retirement provision and support them in the event of invalidity or bereavement. The Group pension scheme provides for a personal pension to be paid to each employee of the Group once the waiting period has elapsed. The extent of this company pension depends

on the years of service and remuneration paid. In supplementation of the employer-funded pension scheme, employees also have the option of provision for retirement themselves by means of a remuneration conversion, thus additionally securing their standard of living after retirement.

##### PROVISION FOR EMISSION RIGHTS

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

##### PROVISION FOR LAWSUITS

A provision of EUR 45 million was recorded mainly by Gazel Energie Generation (EUR 26 million; 2019: EUR 25 million) and JTSD – Braunkohlebergbau GmbH (EUR 17 million; 2019: EUR 17 million).

For more details refer to Note 39 – Litigations and claims.

As disclosed in Note 39 – Litigations and claims, there are other legal proceedings in which the Group is involved and for which the possibility of an outflow of resources was assessed as remote as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2020 and 31 December 2019.

##### PROVISION FOR RESTORATION AND DECOMMISSIONING

The provision of EUR 1,137 million (2019: EUR 1,082 million) was primarily recorded by JTSD – Braunkohlebergbau GmbH (EUR 361 million; 2019: EUR 355 million), Gazel Energie Generation S.A.S. (EUR 219 million; 2019: EUR 184 million), EP Produzione S.p.A. (EUR 112 million; 2019: EUR 116 million), Helmstedter Revier GmbH (EUR 75 million; 2019: EUR 90 million), NAFTA a.s. (EUR 92 million; 2019: EUR 90 million), Fiume Santo S.p.A. (EUR 82 million; 2019: EUR 83 million), NAFTA Germany GmbH (EUR 71 million; 2019: EUR 66 million), Humbly Grove Energy Limited (EUR 28 million), Kraftwerk Mehrum GmbH (EUR 12 million, 2019: EUR 12 million), Lynemouth Power Limited (EUR 16 million; 2019: EUR 12 million), Eggborough Power Limited (EUR 7 million; 2019: EUR 13 million), POZAGAS a.s. (EUR 12 million, 2019: EUR 12 million) and eustream, a.s. (EUR 6 million; 2019: EUR 6 million).

#### I. GERMANY (JTSD – BRAUNKOHLBERGBAU GMBH AND HELMSTEDTER REVIER GMBH)

According to the German Federal Mining Law, a mining company is obliged to re-cultivate/ reclaim all the land used for mining purposes after discontinuation of mining operations. The requirements to be met for this purpose are set forth in a comprehensive framework operation plan and compliance is monitored by the mining authorities.

The following expense items are considered:

- dewatering and flooding expenses;
- creation and stability of slope systems;
- soil preparation and treatment for subsequent agricultural and forest use;
- removal of all technical plants and equipment.

As at 31 December 2020, 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 2020, quantities and values were adjusted based on the latest information available. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate of 0.13% (2019: 0.27%) and a discount rate in range between 0.65%–0.82% (2019: range between 1.09%–1.24%) were used to calculate the provisions in case of JTSD – Braunkohlebergbau GmbH and annual inflation rate of 0.13% (2019: 0.27%) and a discount rate of 0.07% (2019: 0.0%) 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

	2020 Profit (loss)	2019 Profit (loss)
Increase of inflation rate by 1%	(80)	(90)
Decrease of inflation rate by 1%	65	72

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH by the amounts shown in the table below. Due to 0% discount rate announced by Helmstedter Revier GmbH, the company is excluded from the analysis. This analysis assumes that all other variables remain constant.

In millions of EUR

	2020 Profit (loss)	2018 Profit (loss)
Increase of discount rate by 1%	64	70
Decrease of discount rate by 1%	(54)	(85)

## II. SLOVAKIA (POZAGAS A.S., NAFTA A.S., NAFTA GERMANY GMBH AND SPP STORAGE, S.R.O.)

POZAGAS a.s. estimated the provision for decontamination and restoration using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate of 1.12% (2019: 1.12%).

NAFTA a.s. currently has 124 production wells in addition to 240 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA a.s. has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2020: 0.80%; 2019: 1.12%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2020 and 2093.

NAFTA Germany GmbH (through its subsidiaries) currently has 48 storage wells. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA Germany GmbH has the obligation to dismantle the storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate of 0.90% (2019: 1.29 %). The provision takes into account the estimated costs for the abandonment of storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2039 and 2061.

SPP Storage, s.r.o. (“SPP Storage”) currently has 41 production wells and storage facility. SPP Storage’s provision for decontamination and restoration resulted from a legislative requirement to dismantle an underground storage facility, mainly production wells and storage wells after the operation of the underground storage facility is discontinued.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate

(2020: 1.73%; 2019: 1.92%). The provision takes into account the estimated costs for the abandonment of production and storage wells and the costs of restoring the sites to their original condition on the basis of the actual costs for the abandonment and restoration of similar storage wells in the Czech Republic. These costs are expected to be incurred between 2034 and 2091.

The Group uses stress tests in the form of expected costs, inflation and discount rate shocks, i.e. simulated immediate increase/decrease of expected costs by 10% and increases in inflation or the discount rate by 1%.

At the reporting date, a change of 10% in the expected costs would have increased or decreased the provision for asset retirement obligations by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

At the reporting date, an increase of 1% in the inflation or discount rate, or a 10% change in the expected costs of decommissioning, would have increased or decreased the provision for asset retirement obligations by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
Decrease of expected costs of 10%	16	15
Increase of expected costs of 10%	(16)	(15)
Increase of inflation rate by 1%	(40)	(39)
Increase of discount rate by 1%	30	28

### III. ITALY (EP PRODUZIONE S.p.A. AND FIUME SANTO S.p.A.)

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

Asset retirement costs (ARO provision) in amount of EUR 171 million (EUR 102 million for EP Produzione S.p.A. and EUR 69 million for Fiume Santo S.p.A.; 2019: EUR 176 million, of which EUR 105 million for EP Produzione S.p.A. and EUR 71 million for Fiume Santo S.p.A.) represents a liability related to the eventual retirement of tangible assets. The provision is calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for health and safety risk in amount of EUR 7 million (2019: 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 16 million (2019: EUR 19 million) in region of Tavazzano, Ostiglia and Fiume Santo where the power plants are situated.

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

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

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

In millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
Increase of inflation rate by 1%	(20)	(24)
Decrease of inflation rate by 1%	18	20

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

In millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
Increase of discount rate by 1%	18	19
Decrease of discount rate by 1%	(20)	(22)

### IV. FRANCE

As at 31 December 2020, the provision recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. in total amount of EUR 172 million (2019: EUR 177 million) consists of the following items:

Provision for dismantling the windfarms and solar farms in France in amount of EUR 6 million (2019: EUR 6 million) represents a liability related to the eventual retirement of tangible assets. The provision is calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for dismantling the power plants of Gazel Energie Generation S.A.S. amounts EUR 164 million (2019: EUR 171 million) composed as follows:

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

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

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

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

In millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
Increase of inflation rate by 1%	(17)	(18)
Decrease of inflation rate by 1%	15	16

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

In millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
Increase of discount rate by 1%	13	16
Decrease of discount rate by 1%	(15)	(18)

## V. OTHER

As at 31 December 2020, Eggborough Power Limited ("EPL") recognized a provision for restoration and decommissioning in amount of EUR 8 million (2019: EUR 13 million) representing the present value of costs associated with closure commitments at the ash disposal facility and land that EPL has retained.

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

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

Lynemouth Power Limited and eustream, a.s. 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.

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

## 31. Deferred income

In millions of EUR

	31 December 2020	31 December 2019
Government grants	90	91
Other deferred income	91	23
<b>Total</b>	<b>181</b>	<b>114</b>
Non-current	88	88
Current	93	26
<b>Total</b>	<b>181</b>	<b>114</b>

Balance of government grants in amount of EUR 90 million (2019: EUR 91 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 19 million (2019: EUR 21 million), Alternative Energy, s.r.o. of EUR 3 million (2019: EUR 3 million), eustream, a.s. of EUR 58 million (2019: EUR 59 million) and United Energy, a.s. of EUR 7 million (2019: EUR 5 million). Elektrárny Opatovice, a.s. and Alternative Energy, s.r.o. were provided with government grants to reduce emission pollutions and to build biogas facility. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of government grants recognised by eustream, a.s. includes the grants allocated by the European Commission for various business projects.

Balance of other deferred income in amount of EUR 91 million (2019: EUR 22 million) is mainly represented by EP Commodities, a.s. of EUR 43 million (2019: EUR 0 million), Gazel Energie Generation S.A.S. of EUR 24 million (2019: EUR 0 million), and EP Cargo a.s. of EUR 11 million (2019: EUR 13 million). The deferred income of EP Commodities, a.s. represents prepayments for gas to be delivered in 2021. The deferred income of Gazel Energie Generation S.A.S. is associated with capacity market payments, which will be recognised in income statement after the utilization of capacity in the following years. EP Cargo a.s.'s deferred



income represents compensation raised from a business partner from an unrealized business case. The compensation covers capitalized additional investment costs and expected losses from a previously concluded rent contract. Because the losses from the rent contract occur over duration of the contract and because the capitalized costs are depreciated over time, the compensation is also recognized in revenues over time.

## 32. Financial instruments

### FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In millions of EUR

	31 December 2020	31 December 2019
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	279	443
Other short-term deposits	8	9
Impairment of loans to other than credit institutions	(178)	(355)
<b>Total</b>	<b>109</b>	<b>97</b>
<b>Assets carried at fair value</b>		
<b>Hedging: of which</b>	64	69
Commodity derivatives cash flow hedge <sup>(1)</sup>	49	62
Other derivatives fair value hedge	14	6
Commodity derivatives fair value hedge	1	-
Currency forwards cash flow hedge	-	1
<b>Non-hedging: of which</b>	342	285
Commodity derivatives reported as trading	328	278
Currency forwards reported as trading	14	7
<b>Equity instruments at fair value through OCI: of which</b>	34	27
Shares at fair value through OCI	34	27
<b>Total</b>	<b>440</b>	<b>381</b>
Non-current	142	108
Current	407	370
<b>Total</b>	<b>549</b>	<b>478</b>

(1) Commodity derivatives designated as cash flow hedges primarily relate to forwards for sale/purchase of electricity which EP ENERGY TRADING, a.s. used to hedge the cash flows related to purchase/sale of electricity utilised for electricity supply to final customers. Additionally, eustream, a.s. is active in hedging cash inflows predominantly from gas-in-kind received from shippers. eustream, a.s. regularly performs estimations of the surplus of natural gas from received gas-in-kind and enters into short and mid-term commodity swaps in order to hedge its natural gas selling prices.

### FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In millions of EUR

	31 December 2020	31 December 2019
<b>Liabilities carried at amortised cost</b>		
Issued bills of exchange at amortised costs	110	116
<b>Total</b>	<b>110</b>	<b>116</b>
<b>Liabilities carried at fair value</b>		
<b>Hedging: of which</b>	126	155
Interest rate swaps cash flow hedge	64	101
Commodity derivatives cash flow hedge	38	35
Currency forwards cash flow hedge	20	16
Interest rate swaps fair value hedge	4	3
<b>Non-hedging: of which</b>	582	376
Commodity derivatives reported as trading	433	307
Interest rate swaps reported as trading	143	68
Currency forwards reported as trading	6	1
<b>Total</b>	<b>708</b>	<b>531</b>
Non-current	210	237
Current	608	410
<b>Total</b>	<b>818</b>	<b>647</b>

The weighted average interest rate on loans to other than credit institutions for 2020 was 4.05% (2019: 5.84%).

As at 31 December 2020, the Group reported a valuation allowance of EUR 171 million (2019: EUR 192 million) to loans provided to its associate Przedsiębiorstwo Górnicze SILESIA Sp. z o.o. („PGS“).The results of the expected credit loss calculation reflect the current conditions on the Polish hard coal market.

Furthermore, as at 31 December 2019 the Group reported as a result of the carried-out credit analysis a valuation allowance of EUR 157 million to loans provided to a third party as the Company had doubts about a borrower's ability to fully settle its debt, as its credit was also indirectly linked to PGS. During the year 2020 this loan was transferred to a third party.

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

In millions of EUR

	31 December 2020		31 December 2020	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
<b>Hedging: of which</b>	3,540	(3,533)	64	(126)
Interest rate swaps cash flow hedge	1,633	(1,638)	-	(64)
Commodity derivatives cash flow hedge	603	(577)	49	(38)
Commodity derivatives fair value hedge	37	(37)	1	-
Other derivatives fair value hedge	146	(146)	14	-
Currency forwards cash flow hedge	967	(981)	-	(20)
Interest rate swaps fair value hedge	154	(154)	-	(4)
<b>Non-hedging: of which</b>	7,798	(7,927)	342	(582)
Commodity derivatives reported as trading	4,534	(4,616)	328	(433)
Currency forwards reported as trading	1,175	(1,161)	14	(6)
Interest rate swaps reported as trading	2,089	(2,150)	-	(143)
<b>Total</b>	<b>11,338</b>	<b>(11,460)</b>	<b>406</b>	<b>(708)</b>

In millions of EUR

	31 December 2019		31 December 2019	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
<b>Hedging: of which</b>	2,899	(2,926)	69	(155)
Interest rate swaps cash flow hedge	1,455	(1,455)	-	(101)
Commodity derivatives cash flow hedge	378	(387)	62	(35)
Other derivatives fair value hedge	98	(98)	6	-
Currency forwards cash flow hedge	866	(884)	1	(16)
Interest rate swaps fair value hedge	102	(102)	-	(3)
<b>Non-hedging: of which</b>	3,260	(3,270)	285	(376)
Commodity derivatives reported as trading	1,636	(1,654)	278	(307)
Currency forwards reported as trading	624	(616)	7	(1)
Interest rate swaps reported as trading	1,000	(1,000)	-	(68)
<b>Total</b>	<b>6,159</b>	<b>(6,196)</b>	<b>354</b>	<b>(531)</b>

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 36 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR where the contractual condition of derivatives does not meet the “own use exemption” as noted in IFRS 9.2.4.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 36 – 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).

In millions of EUR

2020				
	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	64	-	<b>64</b>
<i>Commodity derivatives cash flow hedge</i>	-	49	-	<b>49</b>
<i>Other derivatives fair value hedge</i>	-	14	-	<b>14</b>
<i>Commodity derivatives fair value hedge</i>	-	1	-	<b>1</b>
<b>Non-hedging: of which</b>	-	342	-	<b>342</b>
<i>Commodity derivatives reported as trading</i>	-	328	-	<b>328</b>
<i>Currency forwards reported as trading</i>	-	14	-	<b>14</b>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	34	<b>34</b>
<i>Shares and interim certificates at fair value through OCI</i>	-	-	34	<b>34</b>
<b>Total</b>	-	<b>406</b>	<b>34</b>	<b>440</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	126	-	<b>126</b>
<i>Interest rate swaps cash flow hedge</i>	-	64	-	<b>64</b>
<i>Commodity derivatives cash flow hedge</i>	-	38	-	<b>38</b>
<i>Currency forwards cash flow hedge</i>	-	20	-	<b>20</b>
<i>Interest rate swaps fair value hedge</i>	-	4	-	<b>4</b>
<b>Non-hedging: of which</b>	-	582	-	<b>582</b>
<i>Commodity derivatives reported as trading</i>	-	433	-	<b>433</b>
<i>Interest rate swaps reported as trading</i>	-	143	-	<b>143</b>
<i>Currency forwards reported as trading</i>	-	6	-	<b>6</b>
<b>Total</b>	-	<b>708</b>	-	<b>708</b>

In millions of EUR

2019				
	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	69	-	<b>69</b>
<i>Commodity derivatives cash flow hedge</i>	-	62	-	<b>62</b>
<i>Other derivatives fair value hedge</i>	-	6	-	<b>6</b>
<i>Currency forwards cash flow hedge</i>	-	1	-	<b>1</b>
<b>Non-hedging: of which</b>	-	285	-	<b>285</b>
<i>Commodity derivatives reported as trading</i>	-	278	-	<b>278</b>
<i>Currency forwards reported as trading</i>	-	7	-	<b>7</b>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	27	<b>27</b>
<i>Shares and interim certificates at fair value through OCI</i>	-	-	27	<b>27</b>
<b>Total</b>	-	<b>354</b>	<b>27</b>	<b>381</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	155	-	<b>155</b>
<i>Interest rate swaps cash flow hedge</i>	-	101	-	<b>101</b>
<i>Commodity derivatives cash flow hedge</i>	-	35	-	<b>35</b>
<i>Currency forwards cash flow hedge</i>	-	16	-	<b>16</b>
<i>Interest rate swaps fair value hedge</i>	-	3	-	<b>3</b>
<b>Non-hedging: of which</b>	-	376	-	<b>376</b>
<i>Commodity derivatives reported as trading</i>	-	307	-	<b>307</b>
<i>Interest rate swaps reported as trading</i>	-	68	-	<b>68</b>
<i>Currency forwards reported as trading</i>	-	1	-	<b>1</b>
<b>Total</b>	-	<b>531</b>	-	<b>531</b>

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

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

In millions of EUR

	Carrying value	Fair value
	31 December 2020	31 December 2020
<b>Financial assets</b>		
Loans to other than credit institutions	<sup>(1)</sup> 101	137
Other short-term deposits	8	8
<b>Total</b>	<b>109</b>	<b>145</b>
<b>Financial liabilities</b>		
Issued bills of exchange at amortised costs	110	110
<b>Total</b>	<b>110</b>	<b>110</b>

(1) Loans to other than credit institutions are stated net of impairment

In millions of EUR

	Carrying value	Fair value
	31 December 2019	31 December 2019
<b>Financial assets</b>		
Loans to other than credit institutions	<sup>(1)</sup> 88	118
Other short-term deposits	9	9
<b>Total</b>	<b>97</b>	<b>127</b>
<b>Financial liabilities</b>		
Issued bills of exchange at amortised costs	116	116
<b>Total</b>	<b>116</b>	<b>116</b>

(1) Loans to other than credit institutions are stated net of impairment

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

#### TRANSACTIONS WITH EMISSION RIGHTS NOT RECOGNIZED IN BALANCE SHEET

The following information pertains to contracts on delivery or sale of emission rights. These contracts meet the requirements of IFRS 9 for the application of the own-use exemption and therefore do not fall in the scope of IFRS 9 (refer to Note 3(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 2020, the EPH Group is contractually obliged to purchase 2,465,000 pieces (2019: 5,845,142 pieces) of emission rights at an average price 22.57 EUR/piece (2019: 24.34 EUR/piece).

## 33. Trade payables and other liabilities

In millions of EUR

	31 December 2020	31 December 2019
Trade payables	643	706
Accrued expenses	145	135
Payroll liabilities	103	88
Estimated payables	96	102
Other tax liabilities	92	161
Uninvoiced supplies	84	83
Other contingent consideration <sup>(1)</sup>	41	41
Margin of stock exchange derivatives	23	20
Liabilities to partners and associations	9	20
Advance payments received	4	22
Retentions to contractors	2	2
Other liabilities	158	96
<b>Total</b>	<b>1,400</b>	<b>1,476</b>
<i>Non-current</i>	118	145
<i>Current</i>	1,282	1,331
<b>Total</b>	<b>1,400</b>	<b>1,476</b>

(1) In 2016, the EPH Group acquired 33% share in SPH Group. In addition to the purchase price paid upon closing of the first stage of the transaction, remaining part of the purchase price will be subject to a price adjustment mechanism. As at 31 December 2020, EPH Group recognised a liability of EUR 41 million as an estimate of probable future payment (2019: EUR 41 million).

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

As at 31 December 2020 and 31 December 2019, no liabilities to social and health insurance or tax authorities were overdue.

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

As at 31 December 2020 and 2019 the fair values of trade payables and other liabilities equal to their carrying amounts.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 36 – Risk management policies and disclosures.

#### LIABILITIES TO SOCIAL FUND

In millions of EUR

	2020	2019
<b>Balance at 1 January</b>	1	1
Charged to expenses	2	2
Disposal/decrease in principal	(2)	(2)
<b>Balance at 31 December</b>	<b>1</b>	<b>1</b>

Liabilities to the social fund are presented under payroll liabilities.

## 34. Financial commitments and contingencies

#### OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2020	31 December 2019
Granted pledges – securities	3,851	3,981
Commitments	751	936
Guarantees given	70	63
Other granted pledges	1,453	1,298
<b>Total</b>	<b>6,125</b>	<b>6,278</b>

#### GRANTED PLEDGES – SECURITIES

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

As at 31 December 2020, the amount of EUR 3,469 million (2019: 3,584 million) represents pledges recognized by EPIF Investments, a.s., which entered into a senior contract on a fixed-term credit facility with a financing bank on 18 June 2019 as amended from time to time. This loan is secured by a pledge of shares of the subsidiary EP Infrastructure, a.s. and a pledge on the EPIF Investment's current bank account.

#### GUARANTEES GIVEN

Guarantees given include mainly guarantees in the amount of EUR 55 million (2019: EUR 63 million) used as collateral for external financing obtained by equity-accounted investees and payment guarantees of EUR 15 million (2019: EUR 0 million).

#### COMMITMENTS

In 2018, Mitteldeutsche Braunkohlengesellschaft mbH (“MIBRAG”) concluded agreements with Saxony's Upper Mining Authority (“SOBA”) and Saxony-Anhalt's State Office of Geology and Mining (“LAGB”), to ensure that the expenses for restoring open-cast mines are covered. The concluded agreements provide for the establishment of a special fund designed to financially shore up future liquidity requirements, which is to be set up successively by transferring certain assets to developed companies by MIBRAG and by reinvesting the assets within the fund. The special fund including the income generated by this fund will be pledged “insolvency-proof” as security to the States of Saxony and Saxony-Anhalt. A total of EUR 323 million is to be accrued by the special purpose vehicles by 2034 (Profen) and 2035 (Schleenhain). Subsequently, the accrued funds will be continuously reduced as the rehabilitation obligations are successively met. The agreement makes it possible to accrue the total amount over time (not as a lump sum) until 2034 and 2035 respectively (2019: a total of EUR 358 was to be accrued by 2034 and 2037 respectively).

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

Majority of remaining commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 273 million (2019: EUR 311 million), where physical delivery of the energy will be realised in future. Contracts for purchase of non-current assets of EUR 40 million (2019: EUR 60 million) are recognized by eustream, a.s., and of EUR 21 million (2019: EUR 24 million) by SSE Group and contracts for future purchase of emission rights of EUR 55 million (2019: EUR 143 million) are recognized by JTSD – Braunkohlebergbau GmbH, Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s. (2019: also Pražská teplárenská a.s., Budapesti Erömü Zrt. and EP UK Investments Limited). Remaining EUR 39 million (2019: EUR 40 million) arise from different type of service contracts.

## OTHER GRANTED PLEDGES

In millions of EUR

	31 December 2020	31 December 2019
Property, plant and equipment	700	892
Cash and cash equivalents <sup>(1)</sup>	447	135
Trade receivables	238	204
Inventories	57	43
Loans granted <sup>(2)</sup>	11	24
<b>Total</b>	<b>1,453</b>	<b>1,298</b>

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

(2) Total balance of pledged granted loans includes intercompany loans of EUR 11 million (2019: EUR 13 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 by EP SHB Limited, EP Langage Limited, Lynemouth Power Limited and EP UK Finance Limited. Total value of assets pledged by each of these companies is limited by value of net assets less loan payable to EP UK Finance Limited.

## OFF BALANCE SHEET ASSETS

In millions of EUR

	31 December 2020	31 December 2019
Received promises	1,396	1,621
Other received guarantees and warranties	146	175
<b>Total</b>	<b>1,542</b>	<b>1,796</b>

## RECEIVED PROMISES

Received promises mainly comprise the loan commitments received by the various companies within the Group in amount of EUR 1,047 million (2019: EUR 1,173 million). Contracts for the future sale of energy in amount of EUR 349 million (2019: EUR 359 million) and in 2019 also regulatory contingent assets related to green energy of EUR 88 million are recognised by SSE Group.

## OTHER RECEIVED GUARANTEES AND WARRANTIES

Other received guarantees and warranties mainly consist of guarantees received from parent company of the customer to secure trade receivables in the amount of EUR 112 million (2019: EUR 89 million) recognised by eustream, a.s. and SPP - distribúcia, a.s., guarantees received from banks of EUR 21 million (2019: EUR 64 million) recognised by NAFTA a.s. and payment guarantees of EUR 13 million recognized by Gazel Energie Solutions S.A.S. (2019: EUR 13 million).

## CONTINGENT ASSET RELATED TO TAX RELEVANT FIXED ASSETS REVALUATION IN ITALY

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

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

# 35. Leases

## A LEASES AS A LESSEE

The Group leases buildings, pipelines, locomotives and wagons and personal cars. The leases have various lease terms and run under various period of time. For some leases, the Group has an option to renew the lease after the end of the lease term.

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



**RIGHT-OF-USE ASSETS**

Right-of-use assets related to leased land and buildings and technical equipment, plant and machinery that do not meet the definition of investment property are presented as property, plant and equipment (refer to Note 16).

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
<b>Balance at 1 January 2020</b>	<b>43</b>	<b>96</b>	<b>139</b>
Depreciation charge for the year	(6)	(24)	(30)
Additions to right-of-use assets	6	54	60
Additions in business combinations	1	-	1
Modifications to right-of-use assets	1	1	2
Disposed entities	(9)	-	(9)
Effects of movements in foreign exchange	(2)	(2)	(4)
<b>Balance at 31 December 2020</b>	<b>34</b>	<b>125</b>	<b>159</b>

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
<b>Balance at 1 January 2019</b>	<b>45</b>	<b>80</b>	<b>125</b>
Depreciation charge for the year	(6)	(21)	(27)
Additions to right-of-use assets	1	24	25
Additions in business combinations	3	19	22
Modifications to right-of-use assets	-	(6)	(6)
<b>Balance at 31 December 2019</b>	<b>43</b>	<b>96</b>	<b>139</b>

**MATURITY ANALYSIS OF LEASE LIABILITIES**

In millions of EUR

	31 December 2020	31 December 2019
<b>Undiscounted contractual cash flows by maturity</b>		
Up to 3 months	10	7
3 months to 1 year	27	24
1–5 years	75	66
Over 5 years	61	55
<b>Total undiscounted contractual cash flows</b>	<b>173</b>	<b>152</b>
<b>Carrying amount</b>	<b>161</b>	<b>145</b>

**AMOUNTS RECOGNIZED IN PROFIT OR LOSS**

In millions of EUR

	2020	2019
Depreciation charge for the year	(30)	(27)
Interest on lease liabilities	(4)	(3)
Expenses related to short-term leases	(3)	(1)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(6)	(9)
Expenses related to variable lease payments not included in measurement of lease liability	(1)	(1)

**AMOUNTS RECOGNIZED IN STATEMENT OF CASH FLOWS**

In millions of EUR

	2020	2019
Total cash outflow for leases	(39)	(28)

**B LEASES AS A LESSOR**

During the year ended 31 December 2020, EUR 6 million (2019: EUR 7 million) was recognised as income in profit or loss in respect of operating leases.

## 36. 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 and distribution company, and thus has a specific customer structure. The distribution companies represent a comparatively low credit risk. The large clients are dependent upon electricity supplies which significantly mitigates the credit risks. In addition, bank guarantees and advance payments are required before active operation with traders. Previous experience shows that such elements are very favourable in terms of credit risk mitigation. Customers of distribution and supply segment of Heat Infra segment are required to pay prepayments which further decrease credit risk. In energy and power generation sector, increasing proportion of the revenues is generated from the regulated and/or state-controlled entities (especially in relation to the green energy production and services provided to grids; refer to Note 3(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 expected credit losses. The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

## CREDIT RISK BY TYPE OF COUNTERPARTY

### AS AT 31 DECEMBER 2020

In millions of EUR

	Corporate (non- financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
<b>Assets</b>							
Cash and cash equivalents	-	-	-	1,753	-	-	<b>1,753</b>
Restricted cash	1	-	-	33	-	-	<b>34</b>
Contract assets	54	-	-	-	-	-	<b>54</b>
Trade receivables and other assets	1,107	215	1	21	41	44	<b>1,429</b>
Financial instruments and other financial assets	514	-	-	35	-	-	<b>549</b>
<b>Total</b>	<b>1,676</b>	<b>215</b>	<b>1</b>	<b>1,842</b>	<b>41</b>	<b>44</b>	<b>3,819</b>

### AS AT 31 DECEMBER 2019

In millions of EUR

	Corporate (non- financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
<b>Assets</b>							
Cash and cash equivalents	-	-	-	1,246	-	-	<b>1,246</b>
Restricted cash	3	-	-	44	-	-	<b>47</b>
Contract assets	59	-	-	-	-	-	<b>59</b>
Trade receivables and other assets	1,080	370	-	5	15	74	<b>1,544</b>
Financial instruments and other financial assets	413	-	31	34	-	-	<b>478</b>
<b>Total</b>	<b>1,555</b>	<b>370</b>	<b>31</b>	<b>1,329</b>	<b>15</b>	<b>74</b>	<b>3,374</b>

**CREDIT RISK BY LOCATION OF DEBTOR****AS AT 31 DECEMBER 2020**

In millions of EUR

	Czech Repub- lic	Slova- kia	Cyprus	Italy	Poland	Ger- many	Hun- gary	United King- dom	France	Ireland	Other	Total
<b>Assets</b>												
Cash and cash equivalents	379	423	-	320	3	95	31	95	63	5	339	<b>1,753</b>
Restricted cash	2	1	-	-	-	-	-	29	-	1	1	<b>34</b>
Contract assets	30	23	-	-	-	-	-	-	-	-	1	<b>54</b>
Trade receivables and other assets	146	196	-	277	14	243	12	225	168	23	125	<b>1,429</b>
Financial instruments and other financial assets	99	14	1	18	7	45	27	156	118	-	64	<b>549</b>
<b>Total</b>	<b>656</b>	<b>657</b>	<b>1</b>	<b>615</b>	<b>24</b>	<b>383</b>	<b>70</b>	<b>505</b>	<b>349</b>	<b>29</b>	<b>530</b>	<b>3,819</b>

**AS AT 31 DECEMBER 2019**

In millions of EUR

	Czech Repub- lic	Slova- kia	Cyprus	Italy	Poland	Ger- many	Hun- gary	United King- dom	France	Ireland	Other	Total
<b>Assets</b>												
Cash and cash equivalents	274	445	-	167	4	85	15	99	121	19	17	<b>1,246</b>
Restricted cash	2	-	-	-	-	-	3	41	-	1	-	<b>47</b>
Contract assets	30	21	-	-	-	-	-	-	-	-	8	<b>59</b>
Trade receivables and other assets	145	223	-	307	18	176	22	287	203	6	157	<b>1,544</b>
Financial instruments and other financial assets	28	9	1	30	-	190	1	84	94	-	41	<b>478</b>
<b>Total</b>	<b>479</b>	<b>698</b>	<b>1</b>	<b>504</b>	<b>22</b>	<b>451</b>	<b>41</b>	<b>511</b>	<b>418</b>	<b>26</b>	<b>223</b>	<b>3,374</b>

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

**II. IMPAIRMENT LOSSES**

Loss allowances are measured on either of the following bases:

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

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired financial assets (“POCI”). At the date of the initial recognition, the assets is 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 information refer to Note 3(j) II – Impairment – Financial assets (including trade and other receivables and contract assets).

**CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS**

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

In millions of EUR

	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b>Balance at 1 January 2020</b>	<b>(5)</b>	<b>(6)</b>	<b>(370)</b>	<b>-</b>	<b>(381)</b>
Impairment losses recognised during the year	(2)	(1)	(11)	-	<b>(14)</b>
Reversal of impairment losses recognised during the year	2	1	14	-	<b>17</b>
Decrease due to derecognition of impaired assets	-	-	157	-	<b>157</b>
Transfer between stages	-	1	(1)	-	<b>-</b>
Change in credit risk	1	-	-	-	<b>1</b>
Write-offs	-	-	2	-	<b>2</b>
Disposed entities	-	-	1	-	<b>1</b>
Effects of movements in foreign exchange rate	-	-	13	-	<b>13</b>
<b>Balance at 31 December 2020</b>	<b>(4)</b>	<b>(5)</b>	<b>(195)</b>	<b>-</b>	<b>(204)</b>

In millions of EUR

	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b>Balance at 1 January 2019</b>	<b>(17)</b>	<b>(5)</b>	<b>(114)</b>	-	<b>(136)</b>
Impairment losses recognised during the year	(5)	(1)	(281)	-	<b>(287)</b>
Reversal of impairment losses recognised during the year	15	-	20	-	<b>35</b>
Write-offs	2	-	8	-	<b>10</b>
Effects of movements in foreign exchange rate	-	-	(3)	-	<b>(3)</b>
<b>Balance at 31 December 2019</b>	<b>(5)</b>	<b>(6)</b>	<b>(370)</b>	-	<b>(381)</b>

The most significant change which contributed to change in the loss allowance during 2020 was mainly derecognition of impaired financial assets including loss allowances (2019: creation of lifetime ECL to certain loans to other than credit institutions and 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). For more information on creation of loss allowance refer to Note 32 – Financial instruments.

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2020 and 2019 were as follows:

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
<b>Balance at 1 January 2020</b>	<b>(355)</b>	-	<b>(26)</b>	<b>(381)</b>
Impairment losses recognised during the year	(7)	-	(7)	<b>(14)</b>
Reversals of impairment losses recognised during the year	14	-	3	<b>17</b>
Decrease due to derecognition of impaired assets	157	-	-	<b>157</b>
Change in credit risk	-	-	1	<b>1</b>
Write-offs	-	-	2	<b>2</b>
Disposed entities	-	-	1	<b>1</b>
Effects of movements in foreign exchange rate	13	-	-	<b>13</b>
<b>Balance at 31 December 2020</b>	<b>(178)</b>	-	<b>(26)</b>	<b>(204)</b>

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
<b>Balance at 1 January 2019</b>	<b>(92)</b>	-	<b>(44)</b>	<b>(136)</b>
Impairment losses recognised during the year	(280)	-	(7)	<b>(287)</b>
Reversals of impairment losses recognised during the year	19	-	16	<b>35</b>
Write-offs	-	-	10	<b>10</b>
Effects of movements in foreign exchange rate	(2)	-	(1)	<b>(3)</b>
<b>Balance at 31 December 2019</b>	<b>(355)</b>	-	<b>(26)</b>	<b>(381)</b>

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

### CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

#### AS AT 31 DECEMBER 2020

In millions of EUR

	Other term deposits	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	8	54	101	1,420	<b>1,583</b>
After maturity (net)	-	-	-	9	<b>9</b>
<b>Total</b>	<b>8</b>	<b>54</b>	<b>101</b>	<b>1,429</b>	<b>1,592</b>
A – Assets (gross)					
– before maturity	8	54	279	1,428	<b>1,769</b>
– after maturity <30 days	-	-	-	5	<b>5</b>
– after maturity 31–180 days	-	-	-	3	<b>3</b>
– after maturity 181–365 days	-	-	-	2	<b>2</b>
– after maturity >365 days	-	-	-	17	<b>17</b>
<b>Total assets (gross)</b>	<b>8</b>	<b>54</b>	<b>279</b>	<b>1,455</b>	<b>1,796</b>
B – Loss allowances for assets					
– before maturity	-	-	(178)	(8)	<b>(186)</b>
– after maturity <30 days	-	-	-	-	-
– after maturity 31–180 days	-	-	-	(1)	<b>(1)</b>
– after maturity 181–365 days	-	-	-	(1)	<b>(1)</b>
– after maturity >365 days	-	-	-	(16)	<b>(16)</b>
<b>Total loss allowances</b>	-	-	<b>(178)</b>	<b>(26)</b>	<b>(204)</b>
<b>Total assets (net)</b>	<b>8</b>	<b>54</b>	<b>101</b>	<b>1,429</b>	<b>1,592</b>

**CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS****AS AT 31 DECEMBER 2019**

In millions of EUR

	Other term deposits	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	9	59	88	1,518	<b>1,674</b>
After maturity (net)	-	-	-	26	<b>26</b>
<b>Total</b>	<b>9</b>	<b>59</b>	<b>88</b>	<b>1,544</b>	<b>1,700</b>
A – Assets (gross)					
– before maturity	9	59	443	1,526	<b>2,037</b>
– after maturity <30 days	-	-	-	18	<b>18</b>
– after maturity 31–180 days	-	-	-	4	<b>4</b>
– after maturity 181–365 days	-	-	-	4	<b>4</b>
– after maturity >365 days	-	-	-	18	<b>18</b>
<b>Total assets (gross)</b>	<b>9</b>	<b>59</b>	<b>443</b>	<b>1,570</b>	<b>2,081</b>
B – Loss allowances for assets					
– before maturity	-	-	(355)	(9)	<b>(364)</b>
– after maturity <30 days	-	-	-	-	<b>-</b>
– after maturity 31–180 days	-	-	-	(1)	<b>(1)</b>
– after maturity 181–365 days	-	-	-	(1)	<b>(1)</b>
– after maturity >365 days	-	-	-	(15)	<b>(15)</b>
<b>Total loss allowances</b>	<b>-</b>	<b>-</b>	<b>(355)</b>	<b>(26)</b>	<b>(381)</b>
<b>Total assets (net)</b>	<b>9</b>	<b>59</b>	<b>88</b>	<b>1,544</b>	<b>1,700</b>

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 2019.

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

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

**B LIQUIDITY RISK**

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

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

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

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

**MATURITIES OF FINANCIAL LIABILITIES****AS AT 31 DECEMBER 2020**

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<b>6,004</b>	6,381	160	1,171	3,102	1,948
Trade payables and other liabilities	<b>1,396</b>	1,396	894	384	74	44
Financial instruments and financial liabilities	<b>818</b>	818	55	476	261	26
<b>Total</b>	<b>8,218</b>	<b>8,595</b>	<b>1,109</b>	<b>2,031</b>	<b>3,437</b>	<b>2,018</b>
<b>Net liquidity risk position</b>	<b>(4,575)</b>	<b>(4,877)</b>	<b>1,582</b>	<b>(1,298)</b>	<b>(3,281)</b>	<b>(1,880)</b>

\* Contract liabilities in amount of EUR 185 million are not shown in the table above as these items are not expected to cause any future cash outflow.

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) Advances received in amount of EUR 4 million are excluded from the carrying amount as these items will cause no future cash outflow.

**AS AT 31 DECEMBER 2019**

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<b>6,391</b>	6,841	280	1,537	2,861	2,163
Trade payables and other liabilities	<sup>(2)</sup> <b>1,434</b>	1,434	821	468	102	43
Financial instruments and financial liabilities	<b>647</b>	650	99	312	225	14
<b>Total</b>	<b>8,472</b>	<b>8,925</b>	<b>1,200</b>	<b>2,317</b>	<b>3,188</b>	<b>2,220</b>
<b>Net liquidity risk position</b>	<b>(5,307)</b>	<b>(5,735)</b>	<b>887</b>	<b>(1,430)</b>	<b>(3,019)</b>	<b>(2,173)</b>

\* Contract liabilities in amount of EUR 287 million are not shown in the table above as these items are not expected to cause any future cash outflow.

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) Advances received in amount of EUR 42 million are excluded from the carrying amount as these items will cause no future cash outflow.

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

**C INTEREST RATE RISK**

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities will mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount lower than or equal to that of the underlying financial liability and expiry date, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest-bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2020 is as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
<b>Assets</b>					
Cash and cash equivalents	1,723	-	-	30	<b>1,753</b>
Restricted cash	31	1	1	1	<b>34</b>
Trade receivables and other assets	4	-	1	1,424	<b>1,429</b>
Financial instruments and other financial assets <sup>(1)</sup>	10	48	43	448	<b>549</b>
<b>Total</b>	<b>1,768</b>	<b>49</b>	<b>45</b>	<b>1,903</b>	<b>3,765</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(2)</sup>	2,272	1,220	2,480	32	<b>6,004</b>
Trade payables and other liabilities	4	-	-	1,396	<b>1,400</b>
Financial instruments and financial liabilities <sup>(1)</sup>	159	13	-	646	<b>818</b>
<b>Total</b>	<b>2,435</b>	<b>1,233</b>	<b>2,480</b>	<b>2,074</b>	<b>8,222</b>
<b>Net interest rate risk position</b>	<b>(667)</b>	<b>(1,184)</b>	<b>(2,435)</b>	<b>(171)</b>	<b>(4,457)</b>
Effect of interest rate swaps	2,349	(795)	(1,554)	-	-
<b>Net interest rate risk position (incl. IRS)</b>	<b>1,682</b>	<b>(1,979)</b>	<b>(3,989)</b>	<b>(171)</b>	<b>(4,457)</b>

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 32 – Financial instruments.



Interest rate risk exposure as at 31 December 2019 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
<b>Assets</b>					
Cash and cash equivalents	1,246	-	-	-	<b>1,246</b>
Restricted cash	25	-	-	22	<b>47</b>
Trade receivables and other assets	1	1	-	1,542	<b>1,544</b>
Financial instruments and other financial assets <sup>(1)</sup>	37	8	43	390	<b>478</b>
<b>Total</b>	<b>1,309</b>	<b>9</b>	<b>43</b>	<b>1,954</b>	<b>3,315</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(2)</sup>	3,192	1,437	1,671	91	<b>6,391</b>
Trade payables and other liabilities	3	-	-	1,473	<b>1,476</b>
Financial instruments and financial liabilities <sup>(1)</sup>	210	69	5	363	<b>647</b>
<b>Total</b>	<b>3,405</b>	<b>1,506</b>	<b>1,676</b>	<b>1,927</b>	<b>8,514</b>
<b>Net interest rate risk position</b>	<b>(2,096)</b>	<b>(1,497)</b>	<b>(1,633)</b>	<b>(143)</b>	<b>(5,369)</b>
Effect of interest rate swaps	2,484	(704)	(1,780)	-	-
<b>Net interest rate risk position (incl. IRS)</b>	<b>388</b>	<b>(2,201)</b>	<b>(3,413)</b>	<b>(143)</b>	<b>(5,369)</b>

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 32 – Financial instruments.

## SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised interest rate shock, for financial assets and liabilities to be repriced up to 1 year time, i.e. an immediate decrease/increase in interest rates by 1% along the whole yield curve is applied to the interest rate positions of the portfolio.

At the reporting date, a change of 1% in market interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In millions of EUR

	2020 Profit (loss)	2020 Profit (loss)	2019 Profit (loss)	2019 Profit (loss)
<i>Interest rate</i>	<i>EURIBOR</i>	<i>LIBOR</i>	<i>EURIBOR</i>	<i>LIBOR</i>
Increase in interest rates by 1%	11	(2)	3	(3)
Decrease in interest rates by 1%	(12)	4	(7)	3

The analysis stated above does not reflect the impact of change in interest rate on the fair value of derivatives.

## D FOREIGN EXCHANGE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other than the respective functional currencies of Group entities, primarily EUR, USD, GBP, PLN and HUF.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts, most with a maturity of less than one year.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the Czech crown against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances on the level of individual companies within the Group.

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

In millions of EUR

	CZK	USD	EUR	GBP	PLN	HUF	Other
<b>Assets</b>							
Cash and cash equivalents	1	1	571	2	7	-	-
Restricted cash	-	-	-	-	-	-	-
Trade receivables and other assets	1	4	711	22	9	1	-
Financial instruments and other financial assets	-	17	2,478	755	43	-	-
	<b>2</b>	<b>22</b>	<b>3,760</b>	<b>779</b>	<b>59</b>	<b>1</b>	<b>-</b>
<b>Off-balance sheet assets</b>							
Receivables from forward exchange contracts	-	40	433	132	3	13	-
	<b>-</b>	<b>40</b>	<b>433</b>	<b>132</b>	<b>3</b>	<b>13</b>	<b>-</b>
<b>Liabilities</b>							
Loans and borrowings	-	4	4,150	375	16	-	-
Trade payables and other liabilities	1	1	577	26	4	-	3
Financial instruments and financial liabilities	-	-	386	25	-	-	-
	<b>1</b>	<b>5</b>	<b>5,113</b>	<b>426</b>	<b>20</b>	<b>-</b>	<b>3</b>
<b>Off-balance sheet liabilities</b>							
Payables related to forward exchange contracts	-	3	959	6	13	-	-
	<b>-</b>	<b>3</b>	<b>959</b>	<b>6</b>	<b>13</b>	<b>-</b>	<b>-</b>
<b>Net FX risk position</b>	<b>1</b>	<b>17</b>	<b>(1,353)</b>	<b>353</b>	<b>39</b>	<b>1</b>	<b>(3)</b>
Effect of forward exchange contracts	-	37	(526)	126	(10)	13	-
Effect of cash flow hedges on FX risk <sup>(1)</sup>	-	-	980	-	-	-	-
<b>Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk)</b>	<b>1</b>	<b>54</b>	<b>(899)</b>	<b>479</b>	<b>29</b>	<b>14</b>	<b>(3)</b>

(1) The amount relates to a cash flow hedge recognized by the Group's entities in their standalone financial statements.

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

As of 31 December 2019, the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	GBP	PLN	HUF	Other
<b>Assets</b>							
Cash and cash equivalents	3	5	23	3	4	1	1
Restricted cash	-	-	-	-	-	-	-
Trade receivables and other assets	-	2	895	18	3	2	-
Financial instruments and other financial assets	-	17	2,941	1,018	28	-	-
	<b>3</b>	<b>24</b>	<b>3,859</b>	<b>1,039</b>	<b>35</b>	<b>3</b>	<b>1</b>
<b>Off-balance sheet assets</b>							
Receivables from forward exchange contracts	-	84	133	36	61	9	-
	<b>-</b>	<b>84</b>	<b>133</b>	<b>36</b>	<b>61</b>	<b>9</b>	<b>-</b>
<b>Liabilities</b>							
Loans and borrowings	-	11	4,864	508	-	-	-
Trade payables and other liabilities	2	1	432	18	1	-	1
Financial instruments and financial liabilities	-	-	417	-	-	-	-
	<b>2</b>	<b>12</b>	<b>5,713</b>	<b>526</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Off-balance sheet liabilities</b>							
Payables related to forward exchange contracts	-	20	343	74	-	-	-
	<b>-</b>	<b>20</b>	<b>343</b>	<b>74</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net FX risk position</b>	<b>1</b>	<b>12</b>	<b>(1,854)</b>	<b>513</b>	<b>34</b>	<b>3</b>	<b>-</b>
Effect of forward exchange contracts	-	64	(210)	(38)	61	9	-
Effect of cash flow hedges on FX risk <sup>(1)</sup>	-	-	945	-	-	-	-
<b>Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk)</b>	<b>1</b>	<b>76</b>	<b>(1,119)</b>	<b>475</b>	<b>95</b>	<b>12</b>	<b>-</b>

(1) The amount relates to a cash flow hedge recognized by the Group's entities in their standalone financial statements.

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

Off-balance sheet assets and liabilities include payables and receivables from forward exchange contracts (refer to Note 32 – Financial instruments).

The following significant exchange rates applied during the period:

CZK

	31 December 2020		31 December 2019	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
EUR 1	26.444	26.245	25.672	25.410
GBP 1	29.734	29.19	29.256	29.866
HUF 100	7.534	7.211	7.895	7.688
PLN 1	5.954	5.755	5.973	5.970
USD 1	23.196	21.387	22.934	22.621

### SENSITIVITY ANALYSIS

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR, GBP, PLN and USD at the reporting date would have impacted profit (loss) and other comprehensive income by the amounts shown in the following tables. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
EUR (5% strengthening)	68	93
PLN (5% strengthening)	(4)	(2)
GBP (5% strengthening)	(18)	(26)
USD (5% strengthening)	(1)	(1)

Effect in millions of EUR

	2020 Other comprehensive income	2019 Other comprehensive income
EUR (5% strengthening)	-	-

A weakening of the Czech crown against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## E COMMODITY RISK

The Group's exposure to commodity risk principally consists of exposure to fluctuations in the prices of commodities, especially energy, gas and emission allowances, both on the supply and the demand side. The Group's primary exposure to commodity price risks arises from the nature of its physical assets, namely power plants and to a lesser extent from proprietary trading activities.

In case of favourable power prices, the Group manages the natural commodity risk connected with its electricity generation by selling the power it expects to produce in the cogeneration power plants and in ancillary services on an up to two-year forward basis. In case of low power prices, instead of entering into such forward contracts, the Group uses the flexibility of its own power generating capacities to react to current power prices with the aim to achieve better average selling price.

In addition, the Group purchases emission allowances on a forward basis.

The Group aims to reduce exposure to fluctuations in commodity prices through the use of swaps and various other types of derivatives.

The Group manages the commodity price risks associated with its proprietary trading activities by generally trading on a back-to-back basis, i.e., purchasing from the market where it has a customer in place to purchase the commodity.

Commodity derivatives primarily represents forwards on purchase or sale of electricity and swaps relating to gas which is typically used to hedge the commodity price for eustream's operations, specifically locking the sales prices for surplus of gas-in-kind received from shippers (for more details refer to Note 32 – Financial instruments).

### SENSITIVITY ANALYSIS

A 5% change in the market of the natural gas would have impact on the fair value of cash flow hedging derivatives of EUR 8 million (2019: EUR 7 million).

A 5% change in the market of the electricity would have impact on the fair value of cash flow hedging derivatives of negative EUR 4 million (2019: negative EUR 6 million).

A change in the market price of electricity of 1 EUR/MWh would have decreased or increased revenues from sales of electricity by EUR 44 million (2019: EUR 40 million). This analysis assumes that all other variables, in particular gas prices and emission rights prices, remain constant.

## F REGULATORY RISK

The Group is exposed to risks resulting from the state regulation of electricity selling prices by the states in which it undertakes business activities. In Slovakia electricity prices for households and small enterprises are regulated providing for a capped profit margin per MWh.

The sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts. Such contracts usually determine the price for the supply of the commodity. The price of the distribution and other components is determined based on the Slovak Regulatory Office for Network Industries's ("RONI") price decisions for distribution companies and the market and transmission system operator. For small enterprises and households, composite electricity supply contracts define the products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity as a supplier of electricity. The RONI sets a maximum margin per MWh to be charged by the supplier. Improper regulation could negatively influence operating performance and cash flows.

The Czech Energy Regulatory Office ("ERO") issues pricing decisions that set forth mandatory guidelines applicable to the calculation of heat prices. These rates are comprised of (I) the economically justified costs necessary for production and distribution of heat, (II) appropriate profit, and (III) VAT. Furthermore, the ERO sets the limit price for heat which allows the Company's subsidiaries to set their own heat price on the condition that it is lower than the limit price and follows the calculation principles. Nevertheless, the ERO also has the right to review retroactively the operations of a heat producer for the previous 5 years with respect to the heat price setting mechanism applied by that particular entity. If the entity is not able fully to support the pricing mechanism applied, ERO can impose significant penalties which might have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects. The fact that the price of heat is not set by the ERO as a fixed amount per unit, gives rise to a degree of uncertainty on the part of the operator as there is the possibility that the calculation it carried out will be assessed as incorrect by the ERO.

As regards electricity produced by cogeneration plants, the ERO also stipulates the amount of subsidy for electricity from high-efficiency cogeneration sources in its price decision in the form of a green bonus, which is set per MWh and granted on an annual or hourly basis. The price decision distinguishes between a basic tariff (which applies to cogeneration plants in general) and additional tariff (which applies only to some of them). The respective tariff is set in the price decision in CZK per MWh and has different levels depending on the size of the plant, overall time of its use during a year and the fuel it uses. It is common that the ERO issues the price decision annually, in the autumn for the coming calendar year.

The European energy market has been affected by a continuous increase in power generation from renewables and a decline in electricity production in conventional coal-fired and nuclear power plants. This creates uncertainty as to whether there will be sufficient power generation capacity in the coming years. The EPH Group believes that conventional power production is necessary to ensure security of electricity supply in the European market, in particular in view of the variable nature of power generation from renewables. In recent years, the competitiveness of conventional power plants has been negatively affected by several factors, in particular by the growth in shale gas production in the USA, by a significant promotion of electrical power generation from renewable sources and by the increased carbon allowance prices. All this has contributed to the decline in power generation from conventional sources.

Particularly given the need for safeguarding security of electricity supply, 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 basic framework for the price regulation of gas supplies is provided by Act No. 250/2012 Coll. on Regulation in Network Industries and the Regulation Policy for the current 2017–2021 regulation period. Details related to the scope and method of conducting price regulation are determined in the generally-binding legal regulations issued by the RONI.

Gas Transmission business is obliged regularly to submit tariff structure proposals in respect of the relevant regulatory period to the RONI for approval. The current regulatory period started on 1 January 2017 and has been extended by one additional year to 31 December 2022.

## THE UK

Renewable power generation of Lynemouth biomass powerplant in the UK is awarded by the contract for difference until 2027, which secures stable level of revenues by earning payment for difference between market and agreed strike price.

Post Brexit, a new UK ETS trading scheme has been introduced in the UK, replacing the EU ETS on 1 January 2021 to ensure continued decarbonisation of the UK economy. The UK ETS trading scheme has initially set a price cap approximately at the current price level of European emission allowances until the actual trading commences, which is expected in the second quarter 2021. In the meantime, the UK ETS market participants tend to use EU ETS as a proxy, however, there is a potential of price volatility and other issues until the UK ETS market fully develops.

## ITALY

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

## EU EMISSION TRADING SYSTEM

Despite all the EPH Group's continuous efforts in the area of environmental sustainability, emission allowances represent a significant cost item and emission allowance's price affects substantially economic performance of the Group. In order to achieve environmental benefits, the EU legislation established a system of trading with emission allowances according to the Kyoto Protocol. The international market for CO<sub>2</sub> emission allowances is driven by the EU ETS. EU ETS just ended its Phase III, which began on 1 January 2013 and ended on 31 December 2020. Within the Phase IV (2021–2030), the overall number of emission allowances is to decline at an annual rate of 2.20 per cent from 2021 onwards. However, energy intensive sectors with a high risk of relocation outside of the EU are to be allocated free allowances until 2030 at 100 per cent.

In recent years, the EU ETS faced a surplus of allowances, mainly due to the economic depression which has cut emissions more than anticipated, and therefore allowance prices were historically lower than expected. In order to address the situation the European Commission originally postponed the auctioning of 900 million allowances originally scheduled for allocation in 2014–2016 until 2019–2020. Further, the EU ETS overall cap may need to be further reduced in connection with the target of a 40 per cent. reduction in EU greenhouse gas emissions below 1990 levels by 2030 as set out in the 2030 Climate and Energy Framework Proposal and European Council Conclusions of October 2014. These efforts might cause that the price of emission allowances shall be further increasing which might have a negative impact on the EPH Group.

## G CONCENTRATION RISK

Major part of gas transmission, gas and power distribution and gas storage revenues, which are primarily recognised by SPPI Group and Stredoslovenská distribučná, a.s., are concentrated to a small number of customers. This is caused by the nature of business which has high barriers of entry. At the same time, majority of these revenues is subject to regulation as well as recognised under long-term contracts, often under "take or pay" schemes which limit the volatility of revenues year-on-year. From the credit risk perspectives, the counterparties are typically high-profile entities which are dependent on the supplied service which naturally limits the present credit risk.

## H CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

In millions of EUR

	31 December 2020	31 December 2019 restated <sup>(1)</sup>
Total liabilities	12,665	12,727
Less: cash and cash equivalents	1,753	1,246
<b>Net debt</b>	<b>10,912</b>	<b>11,481</b>
Total equity attributable to equity holders of the Company	1,953	1,358
Less: amounts accumulated in equity relating to cash flow hedges	187	237
<b>Adjusted capital</b>	<b>1,766</b>	<b>1,121</b>
<b>Debt to adjusted capital</b>	<b>6.18</b>	<b>10.24</b>

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

## I HEDGE ACCOUNTING

### CASH FLOW HEDGE

The balance as at 31 December 2020 represents primarily derivative agreements to hedge on interest rate, foreign exchange rate, electricity price and a foreign exchange rate, gas price and a foreign exchange rate and the effect from a cash flow hedge recognised on the EPH Group level.

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity.

During the period the Group reclassified EUR 46 million (positive impact on profit or loss) including non-controlling interest from hedging reserves to profit or loss (2019: EUR 57 million (positive impact on profit or loss)).

The following table provides a reconciliation of amounts recorded in equity by category of hedging instrument:

In millions of EUR

	Commodity derivatives – cash flow hedge <sup>(1)</sup>	Interest rate swaps – cash flow hedge	Currency forwards – cash flow hedge <sup>(2)</sup>	Equity accounted investees – cash flow hedge	Total
<b>Balance at 1 January 2020</b>	<b>21</b>	<b>(117)</b>	<b>119</b>	<b>186</b>	<b>209</b>
Cash flow hedges reclassified to profit or loss	(18)	(7)	(21)	-	<b>(46)</b>
Deferred tax – cash flow hedges reclassified to profit or loss	7	1	4	-	<b>12</b>
Revaluation of cash flow hedges	38	3	(7)	-	<b>34</b>
Deferred tax – cash flow hedges revaluation	(9)	(1)	1	-	<b>(9)</b>
Changes in hedging reserves recognized by equity accounted investees	-	-	-	(36)	<b>(36)</b>
Disposed entities	(7)	-	-	-	<b>(7)</b>
<b>Balance at 31 December 2020</b>	<b>32</b>	<b>(121)</b>	<b>96</b>	<b>150</b>	<b>157</b>

(1) Including also hedge of foreign currency risk.

(2) As at 31 December 2020 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2020 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

In millions of EUR

	Commodity derivatives – cash flow hedge <sup>(1)</sup>	Interest rate swaps – cash flow hedge	Currency forwards – cash flow hedge <sup>(2)</sup>	Equity accounted investees – cash flow hedge	Total
<b>Balance at 1 January 2019</b>	<b>(11)</b>	<b>(47)</b>	<b>152</b>	<b>354</b>	<b>448</b>
Cash flow hedges reclassified to profit or loss	(37)	6	(26)	-	<b>(57)</b>
Deferred tax – cash flow hedges reclassified to profit or loss	7	(1)	3	-	<b>9</b>
Revaluation of cash flow hedges	78	(93)	(11)	-	<b>(26)</b>
Deferred tax – cash flow hedges revaluation	(16)	18	1	-	<b>3</b>
Changes in hedging reserves recognized by equity accounted investees	-	-	-	(168)	<b>(168)</b>
<b>Balance at 31 December 2019</b>	<b>21</b>	<b>(117)</b>	<b>119</b>	<b>186</b>	<b>209</b>

(1) Including also hedge of foreign currency risk.

(2) As at 31 December 2019 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2019 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

Share of non-controlling interest on hedging reserve amounted to negative EUR 55 million (2019: negative EUR 28 million). Share of non-controlling interest on effective changes in fair value of cash flow hedges, net of tax, and reclassification of cash flow hedges to profit or loss amounted to negative EUR 27 million (2019: negative EUR 1 million).

#### CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK AND COMMODITY PRICE RISK OF REVENUES OF POWER PRODUCTION WITH FINANCIAL DERIVATIVES

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to or commodities purchased from the third parties. This includes commodity derivatives with net settlement for commodity risk. As a result of the hedge relationship on the Group level, the Group recorded a change in cash flow hedge reserve of EUR 9 million (2019: negative EUR 10 million). For risk management policies, refer to Note 36(d) and (e) – Risk management policies and disclosures.

#### CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF GAS AND COAL

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales of gas and coal. The hedging instruments are commodity swaps concluded with third parties to hedge selling price of gas in-kind and coal. 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 2021 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 EUR 9 million (2019: EUR 13 million). A decrease of a cash flow hedge reserve due to entities disposed in 2020 was negative EUR 7 million (2019: EUR 0 million).

The following tables provide details of cash flow hedge commodity derivatives gas and power for commodity price risk recorded by the Group as at 31 December 2020 and 2019:

In millions of EUR

	31 December 2020	31 December 2020	31 December 2020	31 December 2020
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	2	2	24	24
3 months to 1 year	44	23	549	519
1–5 years	3	12	30	33
Over 5 years	-	1	-	1
<b>Total</b>	<b>49</b>	<b>38</b>	<b>603</b>	<b>577</b>



In millions of EUR

	31 December 2019	31 December 2019	31 December 2019	31 December 2019
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	18	16	88	88
3 months to 1 year	38	18	255	263
1–5 years	6	-	23	23
Over 5 years	-	1	12	13
<b>Total</b>	<b>62</b>	<b>35</b>	<b>378</b>	<b>387</b>

The following tables provide details of cash flow hedge currency derivatives recorded by the Group as at 31 December 2020 and 2019:

In millions of EUR

	31 December 2020	31 December 2020	31 December 2020	31 December 2020
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	12	13
3 months to 1 year	-	1	42	43
1–5 years	-	-	22	22
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>76</b>	<b>78</b>

In millions of EUR

	31 December 2019	31 December 2019	31 December 2019	31 December 2019
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	1	53	54
3 months to 1 year	-	1	55	56
1–5 years	-	-	30	32
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2</b>	<b>138</b>	<b>142</b>

## CASH FLOW HEDGES – HEDGE OF INTEREST RATE RISK

The Group applies hedge accounting for hedging instruments designed to hedge interest rate risk of its debt financing. The hedging instruments are interest rate swaps used in order to hedge risk related to repricing of interest rates on its financing. As a result of the hedge relationship on the Group level, the Group recorded a change in interest rate cash flow hedge reserve of negative EUR 4 million (2019: negative EUR 39 million). For risk management policies, refer to Note 36(c) – Risk management policies and disclosures.

The following tables provide details of cash flow hedge interest rate swaps recorded by the Group as at 31 December 2020 and 2019:

In millions of EUR

	31 December 2020	31 December 2020	31 December 2020	31 December 2020
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	5	5
3 months to 1 year	-	1	16	17
1–5 years	-	63	1,612	1,616
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>64</b>	<b>1,633</b>	<b>1,638</b>

In millions of EUR

	31 December 2019	31 December 2019	31 December 2019	31 December 2019
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	8	8
3 months to 1 year	-	5	38	38
1–5 years	-	91	239	239
Over 5 years	-	5	1,170	1,170
<b>Total</b>	<b>-</b>	<b>101</b>	<b>1,455</b>	<b>1,455</b>

## 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 2019 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 23 million (2018: EUR 33 million). For risk management policies, refer to Note 36(d) and (e) – Risk management policies and disclosures.

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

In millions of EUR

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

In millions of EUR

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

#### CASH FLOW HEDGES - EQUITY ACCOUNTED INVESTEEES

The joint venture LEAG group applies hedge accounting for commodity hedging instruments designed to hedge cash-flows to purchase emission rights. The hedging instruments are commodity derivatives designed to hedge purchase price for future purchases of emission rights. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in a cash flow hedge reserve of negative EUR 31 million (2019: EUR 186 million). Remaining change of cash flow hedges attributable to equity accounted investees of negative EUR 5 million (2019: EUR 18 million) was reported by associate Slovenské elektrárne, a.s. As the hedge accounting is applied by equity accounted investees, the hedging derivatives are not recognised on Group's consolidated statement of financial position.

#### FAIR VALUE HEDGE

The Group applies hedge accounting for hedging instruments designed to hedge changes in fair value arising from changes in interest rates and changes in price levels. The hedge is in place to cover inflation fluctuations for contract for difference and biomass purchases and exposures arising from external bank loans. The hedging instruments are interest rate swaps and CPI-linked interest rate derivatives. No hedge ineffectiveness was recognized for years ending 31 December 2020 and 2019. For more details on fair value hedge derivatives refer to Note 32 – Financial instruments.

## 37. Related parties

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

#### A THE SUMMARY OF OUTSTANDING BALANCES WITH RELATED PARTIES AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019 WAS AS FOLLOWS:

In millions of EUR

	Accounts receivable and other financial assets 2020	Accounts payable and other financial liabilities 2020	Accounts receivable and other financial assets 2019	Accounts payable and other financial liabilities 2019
Companies controlled by ultimate shareholder <sup>(1)</sup>	9	-	-	18
Associates and joint ventures	261	136	261	111
Other related parties	-	2	-	-
<b>Total</b>	<b>270</b>	<b>138</b>	<b>261</b>	<b>129</b>

(1) Daniel Křetínský represents the ultimate shareholder.

**B THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019 WAS AS FOLLOWS:**

In millions of EUR

	Revenues 2020	Expenses 2020	Revenues 2019	Expenses 2019
Companies controlled by ultimate shareholder <sup>(1)</sup>	1	-	-	-
Associates and joint ventures	453	446	394	453
Other related parties	1	2	-	-
<b>Total</b>	<b>455</b>	<b>448</b>	<b>394</b>	<b>453</b>

(1) Daniel Křetínský represents the ultimate shareholder.

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

**TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL**

For the financial years ended 31 December 2020 and 2019 the EPH Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Infrastructure, a.s., Stredoslovenská energetika Holding, a.s. and its major subsidiaries, SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, POZAGAS, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s. (until 3 November 2020), United Energy, a.s., Plzeňská teplárenská, a.s., SPP Storage, s.r.o., EP ENERGY TRADING, a.s., EP Power Europe, a.s., Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, Energetický a průmyslový holding, a.s., EP Commodities, a.s., EP Produzione S.p.A. Group, EPNEI Group, EP Investment Advisors, s.r.o., JTSD – Braunkohlebergbau GmbH Group, EP Germany GmbH Group, Kraftwerk Mehrum GmbH, EP Kilroot Limited, EP Ballylumford Limited, EP France Group and Tynagh Energy Limited.

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

In millions of EUR

	2020	2019
Nr. of personnel	99	94
Compensation, fees and rewards	11	10
Compulsory social security contributions	2	2
<b>Total</b>	<b>13</b>	<b>12</b>

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses.

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

## 38. Group entities

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

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner- ship %	Owner- ship interest	Owner- ship %	Owner- ship interest	Measurement	Measurement
Energetický a průmyslový holding, a.s.	Czech Republic	-	-	-	-	-	-
EP Power Europe, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EPPE Germany, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Lausitz Energie Kraftwerke AG	Germany	10	Direct	10	Direct	Equity	Equity
Lausitz Energie Bergbau AG	Germany	10	Direct	10	Direct	Equity	Equity
LEAG Holding, a.s.*	Czech Republic	50	Direct	50	Direct	Equity	Equity
Lausitz Energie Verwaltungs GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Kraftwerke AG	Germany	80	Direct	80	Direct	Equity	Equity
Kraftwerk Schwarze Pumpe GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Bergbau AG	Germany	80	Direct	80	Direct	Equity	Equity
GMB GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Transport- und Speditionsgesellschaft Schwarze Pumpe mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Verwaltungsgesellschaft Brandenburg mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	100	Direct	-	-	Equity	-
Lausitz Energie PV Zschornowitz GmbH & Co. KG	Germany	100	Direct	-	-	Equity	-
EVA Verwaltungs GmbH	Germany	50	Direct	-	-	At cost	-
EVA Jänschwalde GmbH & Co. KG	Germany	50	Direct	-	-	Equity	-
EP New Energies GmbH <sup>(1)</sup>	Germany	20	Direct	-	-	Consolidated	Consolidated
EP New Energy Italia S.r.l.	Italy	49	Direct	-	-	Consolidated	Consolidated
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
Biomasse Servizi S.r.l.	Italy	49	Direct	-	-	At cost	At cost
NADURENE 2 a.s. <sup>(2)</sup>	Czech Republic	-	-	100	Direct	-	Equity
EP New Energy Italia S.r.l.	Italy	49	Direct	49	Direct	Consolidated	Consolidated
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Fores Italia S.r.l. <sup>(3)</sup>	Italy	-	-	50	Direct	-	At cost
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
EP New Energies GmbH <sup>(1)</sup>	Germany	80	Direct	100	Direct	Consolidated	Consolidated
EP Mehrum GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Mehrum GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
JTSD – Braunkohlebergbau GmbH	Germany	90	Direct	90	Direct	Consolidated	Consolidated
Mitteldeutsche Braunkohlen Gesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	Consolidated	Consolidated
Terrakomp GmbH <sup>(4)</sup>	Germany	-	-	100	Direct	-	Consolidated
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Profen GmbH	Germany	100	Direct	.	-	At cost	-
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	.	-	At cost	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	.	-	At cost	-
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	.	-	At cost	-
Zukunft I GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft II GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft III GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft IV GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft V GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft VI GmbH	Germany	100	Direct	.	-	At cost	-
Photovoltaikpark Peres I GmbH <sup>(5)</sup>	Germany	100	Direct	.	-	At cost	-
Windpark Breunsdorf I GmbH	Germany	100	Direct	.	-	At cost	-

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
Windpark Profen II GmbH	Germany	100	Direct	.	-	At cost	-
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	.	-	At cost	-
EP Germany GmbH*	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	Equity	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	Equity	Equity
EP UK Investments Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Eggborough Power Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Lynemouth Power Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP UK Power Development Ltd	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP SHB Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humberland Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Langage Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Ballylumford Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Kilroot Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Tynagh Energy Limited	Ireland	80	Direct	80	Direct	Consolidated	Consolidated
RVA Group Limited <sup>(6)</sup>	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Consulting Engineers Limited <sup>(6)</sup>	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Group GmbH	Germany	100	Direct	100	Direct	At cost	At cost
RVA Engineering Solutions Limited <sup>(6)</sup>	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP UK Finance Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humbly Grove Energy Limited	United Kingdom	100	Direct	-	-	Consolidated	-
Humbly Grove Energy Services Limited <sup>(6)</sup>	United Kingdom	100	Direct	-	-	At cost	-
EP Waste Management Limited	United Kingdom	100	Direct	-	-	At cost	-
EP NI Energy Limited	United Kingdom	100	Direct	-	-	At cost	-
EP Invest Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Commodities Ukraine TOB	Ukraine	100	Direct	-	-	At cost	-
EP Produzione S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Fiume Santo S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	75	Direct	Consolidated	Consolidated
Centro Energia Ferrara S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Centro Energia Teverola S.p.A. <sup>(7)</sup>	Italy	-	-	100	Direct	-	Consolidated
Ergosud S.p.A.	Italy	50	Direct	50	Direct	Equity	Equity
EP New Energy Italia S.r.l.	Italy	51	Direct	51	Direct	Consolidated	Consolidated
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated



		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Fores Italia S.r.l. <sup>(3)</sup>	Italy	-	-	50	Direct	-	At cost
Biomasse Servizi S.r.l.	Italy	51	Direct	51	Direct	At cost	At cost
EP France S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Generation S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Aerodis, S.A.	France	100	Direct	100	Direct	Consolidated	Consolidated
Surschiste, S.A.	France	100	Direct	100	Direct	Consolidated	Consolidated
Société des Eaux de l'Est S.A.	France	25	Direct	25	Direct	At cost	Consolidated
Illico S.A.S.	France	100	Direct	-	-	Consolidated	-
Kernaman S.A.S.	France	-	-	100	Direct	-	Consolidated
Gazel Energie Renouvelables S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Solaire S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Solutions S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Dynamo S.A.S.	France	100	Direct	-	-	At cost	-
EP Yuzivska B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	90	Direct	90	Direct	Consolidated	Consolidated
EP Resources AG	Switzerland	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources DE GmbH	Germany	100	Direct	-	-	At cost	-
EPR ASIA PTE. LTD.	Singapore	100	Direct	-	-	At cost	-
Boldore a.s.	Czech Republic	50	Direct	-	-	At cost	-
SLUGGERIA a.s. <sup>(8)</sup>	Czech Republic	100	Direct	-	-	At cost	At cost
EP Hagibor, a.s. <sup>(9)</sup>	Czech Republic	-	-	100	Direct	At cost	At cost
CR-EP s.r.o.	Czech Republic	50	Direct	50	Direct	At cost	At cost
HG1 s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
HG5 s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Consolidated	Consolidated
EP Investment Advisors, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Fleet, k.s.	Czech Republic	99.80	Direct	99.80	Direct	Consolidated	Consolidated
EP Auto, s.r.o.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Consolidated	Consolidated
WOOGEL LIMITED*	Cyprus	25	Direct	25	Direct	Consolidated	Consolidated
Mining Services and Engineering Sp. z o.o.	Poland	100	Direct	100	Direct	IFRS 5	Consolidated
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	Poland	38.93	Direct	38.93	Direct	IFRS 5	Equity
Sedilas enterprises limited	Cyprus	100	Direct	100	Direct	Consolidated	Consolidated
EPH Financing SK, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
EPH Financing CZ, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources CZ a.s. (EP Coal Trading, a.s.) <sup>(10)</sup>	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
EP Cargo Trucking CZ s.r.o. (EOP & HOKA s.r.o.) <sup>(11)(12)</sup>	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
SAJDOK a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EOP HOKA SK, s.r.o.	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EOP HOKA SK, s.r.o.	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
Plzeňská teplárenská, AUTODOPRAVA s.r.o. <sup>(13)</sup>	Czech Republic	-	-	100	Direct	-	Consolidated
EP RESOURCES PL S.A. (EP COAL TRADING POLSKA S.A.) <sup>(14)</sup>	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Slovakia B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Slovak Power Holding B.V.*	Netherlands	50	Direct	50	Direct	Equity	Equity
Slovenské elektrárne, a.s.	Slovakia	66	Direct	66	Direct	Equity	Equity
Centrum pre vedu a výskum, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Ochrana a bezpečnosť SE, a.s.	Slovakia	100	Direct	100	Direct	Equity	Equity
Slovenské elektrárne – energetické služby, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Slovenské elektrárne Česká republika, s.r.o.	Czech Republic	100	Direct	100	Direct	Equity	Equity
SE Služby inžinierskych stavieb, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
REAKTORTEST, s.r.o.	Slovakia	49	Direct	49	Direct	Equity	Equity
ÚJV Řež, a.s.	Czech Republic	27.80	Direct	27.80	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
Nadácia EPH	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
ADCONCRETUM REAL ESTATE DOO BEOGRAD-STARI GRAD	Serbia	100	Direct	100	Direct	Consolidated	Consolidated
EP Logistics International, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
LOCON Logistik & Consulting AG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
LOCON Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
LOCON Personalservice GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
LOCON BENELUX B.V.	Germany	51	Direct	51	Direct	Consolidated	Consolidated
LokoTrain s.r.o.	Czech Republic	65	Direct	65	Direct	Consolidated	Consolidated
EP Cargo Deutschland GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Merseburg Transport und Logistik GmbH	Germany	51	Direct	51	Direct	Consolidated	Consolidated
EP CARGO POLSKA S.A.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Invest, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Intermodal a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Trucking CZ s.r.o. (EOP & HOKA s.r.o.) <sup>(11)(12)</sup>	Czech Republic	100	Direct	-	-	Consolidated	Consolidated

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
SAJDOK a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EOP HOKA SK, s.r.o.	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EOP HOKA SK, s.r.o.	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
Plzeňská teplárenská, AUTODOPRAVA s.r.o. <sup>(13)</sup>	Czech Republic	-	-	100	Direct	-	Consolidated
SPEDICA GROUP COMPANIES, s.r.o.	Czech Republic	83.63	Direct	67.33	Direct	Consolidated	Consolidated
SPEDICA LOGISTIC, s.r.o.	Czech Republic	67	Direct	67	Direct	Consolidated	Consolidated
SGC-LOGISTIC GmbH	Germany	100	Direct	100	Direct	At cost	At cost
RAILSPED, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
RM LINES, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SPEDICA, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
JTSD – Braunkohlebergbau GmbH	Germany	10	Direct	100	Direct	Consolidated	Consolidated
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	Consolidated	Consolidated
Terrakomp GmbH <sup>(4)</sup>	Germany	-	-	100	Direct	-	Consolidated
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Profen GmbH	Germany	100	Direct	.	-	At cost	-
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	.	-	At cost	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	.	-	At cost	-
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	.	-	At cost	-
Zukunft I GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft II GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft III GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft IV GmbH	Germany	100	Direct	.	-	At cost	-
Zukunft V GmbH	Germany	100	Direct	.	-	At cost	-

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
Zukunft VI GmbH	Germany	100	Direct	.	-	At cost	-
Photovoltaikpark Peres I GmbH <sup>(5)</sup>	Germany	100	Direct	.	-	At cost	-
Windpark Breunsdorf I GmbH	Germany	100	Direct	.	-	At cost	-
Windpark Profen II GmbH	Germany	100	Direct	.	-	At cost	-
Wohnwert Hohenmölsen GmbH	Germany	100	Direct	.	-	At cost	-
EP Germany GmbH*	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	Equity	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	Equity	Equity
DCR INVESTMENT a.s., v likvidaci <sup>(15)</sup>	Czech Republic	-	-	100	Direct	-	Consolidated
ABS PROPERTY LIMITED	Ireland	100	Direct	100	Direct	Consolidated	Consolidated
SLUGGERIA a.s. <sup>(6)</sup>	Czech Republic	-	-	100	Direct	Consolidated	Consolidated
EP Real Estate, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Nová Invalidovna, a.s.	Czech Republic	-	-	100	Direct	-	IFRS 5
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Properties IV, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
Kardašovská Properties a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Properties, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Hagibor, a.s. <sup>(7)</sup>	Czech Republic	100	Direct	-	-	At cost	At cost
CR-EP s.r.o.	Czech Republic	50	Direct	50	Direct	At cost	At cost
HG1 s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
HG5 s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EPIF Investments a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Infrastructure, a.s.*	Czech Republic	69	Direct	69	Direct	Consolidated	Consolidated
EP Energy, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Consolidated	Consolidated
Pražská teplárenská a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
PT Koncept, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
TERMONTA PRAHA a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
ENERGOPROJEKTA plan s.r.o.	Czech Republic	-	-	50.5	Direct	-	Consolidated
PT Transit, a.s. <sup>(16)</sup>	Czech Republic	-	-	100	Direct	-	Consolidated
Teplo Neratovice, spol. s r.o.	Czech Republic	-	-	100	Direct	-	Consolidated
PT Distribuční, s.r.o.	Czech Republic	-	-	85	Direct	-	Equity
PT měření, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Střelnická reality s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-



		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
Malešice Reality s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
Zálesí Reality s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
EPRE Reality s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
Power Reality s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
Lirostana s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
PT Transit, a.s. <sup>(16)</sup>	Czech Republic	-	-	-	-	-	Consolidated
PT Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Pražská teplárenská Holding a.s. v likvidaci*	Czech Republic	100	Direct	100	Direct	At cost	Consolidated
NPTH, a.s. v likvidaci*	Czech Republic	100	Direct	100	Direct	At cost	Consolidated
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
GABIT spol. s r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
VTE Moldava II, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
MR TRUST s.r.o.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
ARISUN, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	Equity	Equity
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
VTE Pchery, s.r.o.	Czech Republic	100	Direct	64	Direct	Consolidated	Consolidated
Alternative Energy, s.r.o. <sup>(17)</sup>	Slovakia	90	Direct	-	-	Consolidated	Consolidated
CHIFFON ENTERPRISES LIMITED*	Cyprus	100	Direct	100	Direct	At cost	Consolidated
Claymore Equity, s.r.o.* <sup>(18)</sup>	Slovakia	-	-	100	Direct	Consolidated	Consolidated
Alternative Energy, s.r.o. <sup>(17)</sup>	Slovakia	-	-	90	Direct	Consolidated	Consolidated
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Farma Lístek, s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
Stredoslovenská energetika Holding, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated
Kinet s.r.o.	Slovakia	80	Direct	-	-	Consolidated	-
Kinet Inštal s.r.o.	Slovakia	100	Direct	-	-	Consolidated	-
Stredoslovenská distribučná, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Elektroenergetické montáže, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE – Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
Stredoslovenská energetika – Project Development, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SPV100, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SSE – MVE, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Patamon a.s.	Czech Republic	100	Direct	-	-	At cost	-
Budapesti Erőmű Zrt.	Hungary	-	-	95.62	Direct	-	Consolidated
KÖBÁNYAHÖ Kft.	Hungary	-	-	25	Direct	-	At cost
Energia-pro Zrt.	Hungary	-	-	-	-	-	-
ENERGZET SERVIS a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
Plzeňská teplárenská, a.s.	Czech Republic	35	Direct	35	Direct	Consolidated	Consolidated
Plzeňská teplárenská SERVIS IN a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Plzeňské služby s.r.o.	Czech Republic	100	Direct	-	-	Consolidated	-
Claymore Equity, s.r.o. v likvidácii* <sup>(18)</sup>	Slovakia	100	Direct	-	-	Consolidated	Consolidated
Czech Gas Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA a.s.	Slovakia	40.45	Direct	40.45	Direct	Consolidated	Consolidated
Karotáz a cementace, s.r.o.	Czech Republic	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	10	Direct	10	Direct	Consolidated	Consolidated
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	-	-	Equity	-
Nafta Exploration d.o.o.	Croatia	100	Direct	-	-	Consolidated	-
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V.	Netherlands	50	Direct	50	Direct	Equity	Equity

		31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measurement	Measurement
CNG LLC	Ukraine	100	Direct	100	Direct	Equity	Equity
EPH Gas Holding B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Seattle Holding B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Slovak Gas Holding B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
SPP Infrastructure, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated
eustream, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Central European Gas HUB AG	Austria	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Plynárenská metrológia, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPP - distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPP - distribúcia Servis, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	10	Direct	10	Direct	Consolidated	Consolidated
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	-	-	Equity	-
Nafta Exploration d.o.o.	Croatia	100	Direct	-	-	Consolidated	-
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V.	Netherlands	50	Direct	50	Direct	Equity	Equity
CNG LLC	Ukraine	100	Direct	100	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	95.82	Direct	95.82	Direct	Consolidated	Consolidated
SPP Storage, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	Consolidated	Equity
SLOVGEOTERM a.s.	Slovakia	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	0.08	Direct	0.08	Direct	Consolidated	Consolidated
GALANTATERM spol. s r.o.	Slovakia	0.5	Direct	0.5	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	17.5	Direct	17.5	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated

- \* Holding entity
- (1) On 31 July 2020 20% share of EP New Energies GmbH was transferred to Lausitz Energie Bergbau AG as a part of internal reorganization.
- (2) On 14 December 2020 NADURENE 2, a.s. merged with Lausitz Energie Bergbau AG. Lausitz Energie Bergbau AG is the successor company.
- (3) On 28 December 2020 Fores Italia S.r.l. merged with Biomasse Crotone S.p.A. Biomasse Crotone S.p.A. is the successor company.
- (4) On 1 January 2020 Terrakomp GmbH merged with Helmstedter Revier GmbH. Helmstedter Revier GmbH is the successor company.
- (5) On 7 October 2020 Zukunft VII GmbH was renamed to Photovoltaikpark Peres I GmbH.
- (6) This company is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts, by virtue of section 479A.
- (7) On 23 December 2020 Centro Energia Teverola S.p.A. merged with EP Produzione S.p.A. EP Produzione S.p.A. is the successor company.
- (8) On 20 May 2020 the shares of SLUGGERIA a.s. were transferred to Boldore a.s. as a part of internal reorganization.
- (9) On 1 April 2020 the shares of EP Hagibor, a.s. were transferred to EP Real Estate, a.s. as a part of internal reorganization.
- (10) On 1 December 2020 EP Coal Trading, a.s. was renamed to EP Resources CZ a.s.
- (11) On 1 December 2020 EOP & HOKA s.r.o. was renamed to EP Cargo Trucking CZ s.r.o.
- (12) On 14 December 2020 the shares of EP Cargo Trucking CZ s.r.o. (EOP & HOKA s.r.o.) were transferred to EP Logistics International, a.s. as a part of internal reorganization.
- (13) On 1 July 2020 Plzeňská teplárenská, AUTODOPRAVA s.r.o. merged with EP Cargo Trucking CZ s.r.o. (former EOP & HOKA, a.s.). EP Cargo Trucking CZ s.r.o. is the successor company.
- (14) On 15 January 2021 EP COAL TRADING POLSKA S.A. was renamed to EP RESOURCES PL S.A.
- (15) On 1 February 2020 DCR INVESTMENT a.s. was renamed to DCR INVESTMENT a.s., v likvidaci.
- (16) On 1 September 2020 PT Transit, a.s. was transferred to Liostana s.r.o. as a part of internal reorganization and on 3 November 2020 was sold out of the Group.
- (17) On 31 January 2020 the shares of Alternative Energy, s.r.o. were transferred to EP Energy, a.s. as a part of internal reorganization.
- (18) On 21 May 2020 the shares of Claymore Equity, s.r.o. were transferred to EP Infrastructure, a.s. as a part of internal reorganization.

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

## 39. Litigations and claims

### PLZEŇSKÁ TEPLÁRENSKÁ, A.S. (“PLTEP”)

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. (“PE”; merged with Plzeňská teplárenská, a.s. effectively on 31 October 2018, until then Plzeňská energetika, a.s. is used in the paragraph) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice. In June 2016 SI has filed an additional claim for unjust enrichment against PE for approximately EUR 1 million. Additional claim covers period 2013–2014. The claim was further extended in 2018 to the total of ca EUR 4 million. In January 2018, another court hearing was held and the Court ruled in favour of Plzeňská energetika, a.s. SI appealed and as a result of the appeal, the legal case was returned back to the District court, the hearing will take place in second quarter of 2021. Since the legal case is still open and after considering all the circumstances Plzeňská teplárenská, a.s. reported as of 31 December 2020 an adequate provision representing its best estimate of the outcome.

### WASTE INCINERATION PLANT PROJECT AND RELATED BANK GUARANTEE

PLTEP relationships with ČKD PRAHA DIZ, a.s., the former general supplier of the project ZEVO Plzeň (waste incineration plant, “ZEVO”), are primarily burdened by the year 2016 when PLTEP terminated a contract for work before the work itself was completed. In line with contractual documentation, PLTEP exercised a bank guarantee on completion of the work. ČKD PRAHA DIZ, a.s. has challenged this decision. ČKD PRAHA DIZ, a.s., which declared bankruptcy in May 2019, is in insolvency proceeding and currently represented by an insolvency administrator. Based on an internal analysis PLTEP recorded an accrual to account for the risk of the guarantee to be returned. In 2019, the accrual was almost fully used against a realized payment. PLTEP considers the obligation to ČKD PRAHA DIZ a.s. as substantially settled. However, there is additional hearing at the court of arbitration to take place in second quarter of 2021 which should deal with some additional payments claimed from PLTEP. Nevertheless, PLTEP considers these additional payments as wrongful and therefore believes that the current provision represents the best estimate of the potential future outcome.

### STREDOSLOVENSKÁ ENERGETIKA HOLDING, A.S. GROUP (“SSE HOLDING GROUP”)

The SSE Holding Group is a party to various legal proceedings with its customers who demand the return of payments which they made to SSD for access to the distribution network pursuant to applicable rules set by RONI and the Slovak legislation. The total amount of claims cannot be reliably and precisely calculated. Based on a legal analysis, the Group management concluded that payments of those claims are unlikely and no legal provisions were recorded as at 31 December 2020.

### MITTELDEUTSCHE BRAUNKOHLENGESSELLSCHAFT MBH (“MIBRAG”)

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

### EP PRODUZIONE S.P.A., FIUME SANTO S.P.A. AND EP PRODUZIONE LIVORNO FERRARIS S.P.A.

Over the last few months of 2018, EP Produzione S.p.A. and Fiume Santo S.P.A. were subject to a tax audit carried out by the Revenue Agency for the 2015 and 2016 tax years. Assisted by their external consultants and having provided all the necessary clarifications in each of the competent offices, EPP was able to settle the findings, with limited financial impact, while Fiume Santo S.P.A. has not yet finalised the settlement for the year 2016 (as for 2015 a settlement agreement was signed on 2019). As at 31 December 2020, a provision of EUR 1.9 million in total is recorded in the consolidated financial statements.

Moreover, Revenue Agency started on May 2019 a tax audit on EP Produzione Livorno Ferraris S.p.A. for the 2016 tax year. Company provided information to the Revenue Agency and is expecting a positive conclusion of the claim. Therefore, as at 31 December 2020, no provision was recorded.

### GAZEL ENERGIE GENERATION S.A.S. (“GEG”)

#### LITIGATION ON POWER TRADING INVOICES

Gazel Energie Generation S.A.S. is disputing certain invoices relating to power trading with a counterparty concerning 2019 operations. In this respect an aggregate litigation provision of EUR 16.4 million has been booked as at 31 December 2020 even though GEG believes that this claim is not justified.

#### BIOMASS SUPPLIERS' LITIGATIONS

Due to the delay of the commissioning of Provence 4 Biomass, litigations occurred with a part of the wood suppliers in relation to the contractual penalties and in respect of which an aggregate provision of EUR 10.2 million has been booked as at 31 December 2020.

## 40. Subsequent events

### A MAJOR ACQUISITIONS

#### ACQUISITION OF STEAG POWER MINERAL

On 10 March 2021, EPPE, a subsidiary of EPH, signed an agreement with STEAG GmbH for the purchase of the shares in STEAG Power Minerals GmbH (“SPM”). SPM is a European leader in the provision for the power plant by-products and expendable blasting single use abrasives and it also provides broad range of waste management services. With this step, EPPE confirms its long-term intention to strengthen its position in the segment of sustainable development and environmentally friendly solutions.

Closing of acquisition is subject to relevant approvals, especially from competition authorities and is expected to occur during the second quarter of the year 2021.

### B MAJOR DISPOSALS

#### DISPOSAL OF PRZEDSIĘBIORSTWO GÓRNICZE SILESIA SP. Z O.O.

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

### C OTHER SUBSEQUENT EVENTS

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 the LEK is entitled to a compensation claim of EUR 1.75 billion for the decommissioning of its plants. With conclusion of the contract LEK and Lausitz Energie Bergbau GmbH (“LEB”) waive remedies against the measures based on the KVBG and the contract. However, the actual damages and disadvantages are significantly higher.

#### Subsequent events

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

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

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

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

(1) Represents values at 100% share.

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

In February 2021, LEAG has joined partners in southern Germany to take a further important step towards becoming a diversified energy and service company. It has acquired, with immediate effect, 100% of the shares in Gaskraftwerk Leipheim GmbH & Co. KG (“GKL”), a project company of SWU Stadtwerke Ulm/Neu-Ulm GmbH, which has developed the project together with its partners, Siemens Energy and STEAG. The acquisition of GKL involves investment in the 300MW gas turbine power plant in Leipheim to the northeast of Ulm. A tender for special network operation equipment launched by Amprion, the Dortmund-based transmission system operator, is the starting point for the construction of the new power plant, which has been designed to ensure grid stability in Germany in emergency situations. GKL has already been granted the pollution prevention and control permit, as well as the planning approval for the gas and electricity routes. Preparatory construction work for the new connection route is already underway and the construction site 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.

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

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

On 16 March 2021, EPH signed a new EUR 1 billion term and revolving facilities agreement with a banking syndicate. The facilities are unsecured and rank pari passu with other financial indebtedness of EPH and have a three-year term. The EPH Term and Revolving Facilities Agreements contain certain restrictive provisions and also a change of control provision the triggering of which may result in mandatory prepayment. EPH intends to use proceeds of the facilities primarily to refinance certain other financial indebtedness of the EPH group and for general corporate purposes.

On 1 April 2021, results of second auction for decommissioning of coal-fired power plants (“PP”) was announced by German Federal Network Agency. Deadline for offers into this auction was on 4 January 2021 and EPH, through its wholly owned subsidiaries, submitted offers for two power plants, hard coal fired PP Mehrum and lignite fired PP in Deuben operated by MIBRAG with capacity of 690 MW and 67 MW respectively. Both power plants were successful in their respective bids and were allocated with compensation. As result EPH will no longer be entitled to market the electricity generated in these plants after 8 December 2021. Subject to review by the transmission system operators and German Federal Network Agency, the Mehrum and Deuben power plants will be decommissioned and will substantially reduce the CO<sub>2</sub> produced by EPH power plant portfolio since.

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

Except for the matters described above and elsewhere in the Notes, the Company’s management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2020.



APPENDICES\*:

Appendix 1 – Business combinations

Appendix 2 – Disposals of subsidiaries

Appendix 3 – Restated Consolidated statement 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	
15 April 2021		
	JUDr. Daniel Křetínský Chairman of the board of directors	Mgr. Pavel Horský Member of the board of directors

# Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as at the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

## EFFECT OF ACQUISITIONS

### I. 31 DECEMBER 2019

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

In millions of EUR

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

(1) Represents values at 100% share.

In millions of EUR

	2019 Total
Revenue of the acquirees recognised since the acquisition date	5
Profit (loss) of the acquirees recognised since the acquisition date	1

In millions of EUR

	2019 Total
Revenue of the acquirees recognised in the year ended 31 December 2019*	6
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	1

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

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of EP Kilroot Limited and EP Ballylumford Limited are provided in the following table.

In millions of EUR

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

(1) Represents values at 100% share.



In millions of EUR

	2019 Total
Revenue of the acquirees recognised since the acquisition date*	131
Profit (loss) of the acquirees recognised since the acquisition date*	17

In millions of EUR

	2019 Total
Revenue of the acquirees recognised in the year ended 31 December 2019*	274
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	19

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

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

In millions of EUR

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

(1) Represents values at 100% share.

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

In millions of EUR

	2019 Total
Revenue of the acquirees recognised since the acquisition date*	1,106
Profit (loss) of the acquirees recognised since the acquisition date*	(30)

In millions of EUR

	2019 Total
Revenue of the acquirees recognised in the year ended 31 December 2019*	2,823
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	(17)

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

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

In millions of EUR

	Carrying amount <sup>(1)</sup>	Fair value adjustment	2019 Total
Property, plant, equipment, land, buildings	22	-	22
Trade receivables and other assets	8	-	8
Cash and cash equivalents	2	-	2
Loans and borrowings	(22)	-	(22)
Trade payables and other liabilities	(9)	-	(9)
<b>Net identifiable assets and liabilities</b>	<b>1</b>	<b>-</b>	<b>1</b>
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			6
Negative goodwill on acquisition of new subsidiaries			-
<b>Cost of acquisition</b>			<b>7</b>
Consideration paid, satisfied in cash (A)			7
Consideration, other			-
<b>Total consideration transferred</b>			<b>7</b>
Less: Cash acquired (B)			2
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(5)</b>

(1) Represents values at 100% share.

In millions of EUR

	2019 Total
Revenue of the acquirees recognised since the acquisition date*	22
Profit (loss) of the acquirees recognised since the acquisition date*	2

In millions of EUR

	2019 Total
Revenue of the acquirees recognised in the year ended 31 December 2019*	55
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	2

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

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Tynagh Energy Limited are provided in the following table.

In millions of EUR

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

(1) Represents values at 100% share.

In millions of EUR

	2019 Total
Revenue of the acquirees recognised since the acquisition date*	22
Profit (loss) of the acquirees recognised since the acquisition date*	2

In millions of EUR

	2019 Total
Revenue of the acquirees recognised in the year ended 31 December 2019*	144
Profit (loss) of the acquirees recognised in the year ended 31 December 2019*	12

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

## Appendix 2 – Disposals of investments

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 DISPOSALS

#### I. 31 DECEMBER 2020

On 12 May 2020, the Group accounted for disposal of its 100% interest in Nová Invalidovna, a.s. and on 15 May 2020 the Group accounted for disposal of its 100% interest in PT Properties IV, a.s. The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Assets held for sale	(1)
<b>Net identifiable assets and liabilities</b>	<b>(1)</b>
<b>Net assets value disposed</b>	<b>(1)</b>
<b>Gain (loss) on disposal</b>	<b>3</b>

On 30 September 2020, the EPIF Group accounted for disposal of its 100% interests in Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci. EPH Group's effective interest was 69%. The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Translation difference recycled to OCI	20
<b>Net assets value disposed</b>	<b>20</b>
<b>Gain (loss) on disposal</b>	<b>(20)</b>
Indirect non-controlling interest	6
<b>Gain (loss) on disposal attributable to non-controlling interest</b>	<b>(6)</b>

### Appendix 2 – Disposals of investments

On 1 October 2020, the Group accounted for disposal of its 100% interest in Kernaman S.A.S. The effects of disposal are provided in the following table:

In millions of EUR

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

On 3 November 2020, the EPIF Group disposed 100% in Pražská teplárenská a.s. and its subsidiaries and associates. EPH Group's effective interest was 69%. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(182)
Intangible assets	(1)
Participation with significant influence	(1)
Trade receivables and other assets	(59)
Inventories	(2)
Cash and cash equivalents	(12)
Deferred tax asset	(1)
Provisions	6
Deferred tax liabilities	20
Loans and borrowings	10
Trade payables and other liabilities	160
<b>Net identifiable assets and liabilities</b>	<b>(62)</b>
Pricing differences	9
<b>Net assets value disposed</b>	<b>(53)</b>
<b>Gain (loss) on disposal</b>	<b>446</b>
Indirect non-controlling interest	16
<b>Gain (loss) on disposal attributable to non-controlling interest</b>	<b>138</b>

On 3 November 2020, the EPIF Group disposed 100% in PT Transit, a.s. EPH Group's effective interest was 69%. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(30)
Trade receivables and other assets	(44)
Cash and cash equivalents	(1)
Deferred tax liabilities	5
<b>Net identifiable assets and liabilities</b>	<b>(70)</b>
<b>Net assets value disposed</b>	<b>(70)</b>
<b>Gain (loss) on disposal</b>	<b>99</b>
Indirect non-controlling interest	22
<b>Gain (loss) on disposal attributable to non-controlling interest</b>	<b>31</b>

On 2 December 2020, the EPIF Group disposed 95.62% in Budapesti Erőmű Zrt. and Energia-pro Zrt. EPH Group's effective interest was 65.98%. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(43)
Intangible assets	(7)
Trade receivables and other assets	(23)
Financial instruments – assets	(6)
Inventories	(7)
Cash and cash equivalents	(33)
Restricted cash	(4)
Deferred tax asset	(6)
Provisions	20
Deferred tax liabilities	6
Trade payables and other liabilities	23
<b>Net identifiable assets and liabilities</b>	<b>(80)</b>
Direct non-controlling interest	3
Translation difference recycled to OCI	(7)
<b>Net assets value disposed</b>	<b>(84)</b>
<b>Gain (loss) on disposal</b>	<b>260</b>
Indirect non-controlling interest	24
<b>Gain (loss) on disposal attributable to non-controlling interest</b>	<b>81</b>

# Appendix 3 – Restated Consolidated statement of comprehensive income and Restated Consolidated statement of financial position

## Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of EUR ("MEUR")

	2019 as published	Offsetting sales and cost of sales	Adjustments to purchase price allocation	2019 restated
Sales	8,573	(11)	-	8,562
Gain (loss) from commodity and freight derivatives, net	10	-	-	10
<b>Total sales</b>	<b>8,583</b>	<b>(11)</b>	<b>-</b>	<b>8,572</b>
<b>Cost of sales</b>	<b>(5,221)</b>	<b>11</b>	<b>-</b>	<b>(5,210)</b>
<b>Subtotal</b>	<b>3,362</b>	<b>-</b>	<b>-</b>	<b>3,362</b>
Personnel expenses	(561)	-	-	(561)
Depreciation and amortisation	(694)	-	-	(694)
Repairs and maintenance	(76)	-	-	(76)
Emission rights, net	(346)	-	-	(346)
Negative goodwill	61	-	(22)	39
Taxes and charges	(102)	-	-	(102)
Other operating income	136	-	-	136
Other operating expenses	(401)	-	-	(401)
Own work, capitalized	39	-	-	39
<b>Profit (loss) from operations</b>	<b>1,418</b>	<b>-</b>	<b>(22)</b>	<b>1,396</b>
Finance income	89	-	-	89
Finance expense	(211)	-	-	(211)
Profit (loss) from financial instruments	(309)	-	-	(309)
<b>Net finance income (expense)</b>	<b>(431)</b>	<b>-</b>	<b>-</b>	<b>(431)</b>
Share of profit (loss) of equity accounted investees, net of tax	175	-	-	175
Gain (loss) on disposal of subsidiaries	1	-	-	1
<b>Profit (loss) before income tax</b>	<b>1,163</b>	<b>-</b>	<b>(22)</b>	<b>1,141</b>
Income tax expenses	(338)	-	-	(338)
<b>Profit (loss) for the year</b>	<b>825</b>	<b>-</b>	<b>(22)</b>	<b>803</b>

	2019 as published	Offsetting sales and cost of sales	Adjustments to purchase price allocation	2019 restated
<b>Items that are not reclassified subsequently to profit or loss:</b>				
Revaluation of property, plant and equipment	1,615	-	-	1,615
Fair value reserve included in other comprehensive income, net of tax	(24)	-	-	(24)
Foreign currency translation differences from presentation currency	51	-	-	51
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences from foreign operations	(59)	-	-	(59)
Effective portion of changes in fair value of cash-flow hedges, net of tax	(239)	-	-	(239)
<b>Other comprehensive income for the year, net of tax</b>	<b>1,344</b>	<b>-</b>	<b>-</b>	<b>1,344</b>
<b>Total comprehensive income for the year</b>	<b>2,169</b>	<b>-</b>	<b>(22)</b>	<b>2,147</b>
<b>Profit (loss) attributable to:</b>				
Owners of the Company	309	-	(22)	287
Non-controlling interest	516	-	-	516
<b>Profit (loss) for the year</b>	<b>825</b>	<b>-</b>	<b>(22)</b>	<b>803</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	585	-	(22)	563
Non-controlling interest	1,584	-	-	1,584
<b>Total comprehensive income for the year</b>	<b>2,169</b>	<b>-</b>	<b>(22)</b>	<b>2,147</b>
<b>Total basic and diluted earnings per share in EUR</b>	<b>0.09</b>	<b>-</b>	<b>(0.01)</b>	<b>0.08</b>

# Consolidated statement of financial position

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of EUR (“MEUR”)

	2019 as reported	Changes in presentation of tax receivables	Adjustments to purchase price allocation	2019 restated
<b>Assets</b>				
Property, plant and equipment	11,218	-	-	11,218
Intangible assets	320	-	-	320
Goodwill	156	-	-	156
Investment property	3	-	-	3
Equity accounted investees	957	-	-	957
Restricted cash	1	-	-	1
Financial instruments and other financial assets	108	-	-	108
Trade receivables and other assets	147	-	-	147
Deferred tax assets	85	-	-	85
<b>Total non-current assets</b>	<b>12,995</b>	<b>-</b>	<b>-</b>	<b>12,995</b>
Inventories	378	-	-	378
Extracted minerals and mineral products	153	-	-	153
Trade receivables and other assets	1,227	170	-	1,397
Contract assets	59	-	-	59
Financial instruments and other financial assets	370	-	-	370
Prepayments and other deferrals	33	-	-	33
Current income tax receivable	181	(170)	-	11
Restricted cash	46	-	-	46
Cash and cash equivalents	1,246	-	-	1,246
Assets/disposal groups held for sale	1	-	-	1
<b>Total current assets</b>	<b>3,694</b>	<b>-</b>	<b>-</b>	<b>3,694</b>
<b>Total assets</b>	<b>16,689</b>	<b>-</b>	<b>-</b>	<b>16,689</b>

	2019 as reported	Changes in presentation of tax receivables	Adjustments to purchase price allocation	2019 restated
<b>Equity</b>				
Share capital	152	-	-	152
Share premium	64	-	-	64
Other reserves	606	-	-	606
Retained earnings	558	-	(22)	536
<b>Total equity attributable to equity holders</b>	<b>1,380</b>	<b>-</b>	<b>(22)</b>	<b>1,358</b>
Non-controlling interest	2,604	-	-	2,604
<b>Total equity</b>	<b>3,984</b>	<b>-</b>	<b>(22)</b>	<b>3,962</b>
<b>Liabilities</b>				
Loans and borrowings	4,666	-	-	4,666
Financial instruments and financial liabilities	237	-	-	237
Provisions	1,514	-	22	1,536
Deferred income	88	-	-	88
Contract liabilities	105	-	-	105
Deferred tax liabilities	1,570	-	-	1,570
Trade payables and other liabilities	145	-	-	145
<b>Total non-current liabilities</b>	<b>8,325</b>	<b>-</b>	<b>22</b>	<b>8,347</b>
Trade payables and other liabilities	1,331	-	-	1,331
Contract liabilities	182	-	-	182
Loans and borrowings	1,725	-	-	1,725
Financial instruments and financial liabilities	410	-	-	410
Provisions	585	-	-	585
Deferred income	26	-	-	26
Current income tax liability	121	-	-	121
<b>Total current liabilities</b>	<b>4,380</b>	<b>-</b>	<b>-</b>	<b>4,380</b>
<b>Total liabilities</b>	<b>12,705</b>	<b>-</b>	<b>22</b>	<b>12,727</b>
<b>Total equity and liabilities</b>	<b>16,689</b>	<b>-</b>	<b>-</b>	<b>16,689</b>



## Single audit report

# 700 MW

» In Kilroot, Northern Ireland, we have secured 10-year capacity contracts supporting grid stability. To honour the contracts, we plan to build two modern gas units (app. 700 MW, operational in 2023) while decommissioning the existing hard coal and oil assets (513 MW).

General part

Report on relations

Consolidated Audit Report

Consolidated Financial Statements for the year ended 31 December 2020

**Single audit report**

Single financial statement for the year ended 31 December 2020



## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Energetický a průmyslový holding, a.s.

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

#### Opinion

We have audited the accompanying financial statements of Energetický a průmyslový holding, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Energetický a průmyslový holding, a.s. as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

#### Basis for Opinion

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

#### Other Matter

The financial statements of Energetický a průmyslový holding, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 29 May 2020.

#### Other Information in the Annual Report

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

As described in Note 2(i) to the financial statements, Energetický a průmyslový holding, a.s. has not prepared an annual report as at 31 December 2020, as the respective information is included in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

The Board of Directors 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 15 April 2021

Audit firm:

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



Statutory auditor:

Ladislav Šauer  
registration no. 2261





## Single Financial Statements for the Year Ended 31 December 2020

# de carbon ization

» To further decrease our carbon footprint, we work on multiple projects to shut down traditional coal fired power plants (French coal fired powerplants with total installed capacity 1190 MW and two German coal fired power plants with installed capacity of 757 MW). These actions, along with the initiatives already realized by EPH since 2015, will result in aggregate reduction of annual CO<sub>2</sub> emissions by a total of 25 million tons.

General part

Report on relations

Consolidated Audit Report

Consolidated Financial Statements for the year ended 31 December 2020

Single audit report

**Single financial statement for the year ended 31 December 2020**

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**Statutory Financial Statements**

Year ended 31 December 2020

and Notes to the Statutory Financial Statements



# Balance Sheet

Energetický a průmyslový holding, a.s.  
Corporate ID 283 56 250

## FULL VERSION

As of 31 December 2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		31.12.2020			31.12.2019
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	138 366 732	7 134 943	131 231 789	132 136 058
B.	Fixed assets	117 147 332	2 645 336	114 501 996	114 276 435
B.I.	Intangible fixed assets	137	137		
B.I.4.	Other intangible fixed assets	137	137		
B.II.	Tangible fixed assets	1 815	492	1 323	346
B.II.2.	Tangible movable assets and sets of tangible movable assets	1 815	492	1 323	346
B.III.	Non-current financial assets	117 145 380	2 644 707	114 500 673	114 276 089
B.III.1.	Equity investments – controlled or controlling entity	114 378 987		114 378 987	114 165 721
B.III.3.	Equity investments in associates	2 646 635	2 644 707	1 928	
B.III.5.	Other non-current securities and investments	119 758		119 758	110 368
C.	Current assets	21 214 559	4 489 607	16 724 952	17 851 883
C.I.	Inventories	10 649		10 649	14 567
C.I.2.	Work in progress and semifinished goods	10 649		10 649	14 567
C.II.	Long-term receivables	17 780 445	4 489 607	13 290 838	15 848 043
C.II.1.	Long-term receivables	808 833		808 833	313 060
C.II.1.2.	Receivables – controlled or controlling entity	808 826		808 826	297 150
C.II.1.5.	Receivables – other	7		7	15 910
C.II.1.5.4.	Other receivables	7		7	15 910
C.II.2.	Short-term receivables	16 971 612	4 489 607	12 482 005	15 534 983
C.II.2.1.	Trade receivables	278 753		278 753	186 716
C.II.2.2.	Receivables – controlled or controlling entity	11 417 606		11 417 606	14 308 314
C.II.2.3.	Receivables – associates	4 679 544	4 489 607	189 937	
C.II.2.4.	Receivables – other	595 709		595 709	1 039 953
C.II.2.4.1.	Receivables from partners				25 513
C.II.2.4.3.	State – tax receivables	213 441		213 441	16 270
C.II.2.4.4.	Short-term prepayments made	8 959		8 959	39 362
C.II.2.4.5.	Estimated receivables	467		467	36 653
C.II.2.4.6.	Other receivables	372 842		372 842	922 155
C.IV.	Cash	3 423 465		3 423 465	1 989 273
C.IV.1.	Cash on hand	11		11	25
C.IV.2.	Cash at bank	3 423 454		3 423 454	1 989 248
D.	Other assets	4 841		4 841	7 740
D.1.	Deferred expenses	4 841		4 841	7 740

## Balance Sheet

		31.12.2020	31.12.2019
	TOTAL LIABILITIES & EQUITY	131 231 789	132 136 058
A.	Equity	92 154 572	100 234 922
A.I.	Share capital	4 000 000	3 535 135
A.I.1.	Share capital	4 000 000	3 535 135
A.II.	Share premium and capital funds	-281 634	-351 738
A.II.2.	Capital funds	-281 634	-351 738
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-281 634	-351 738
A.IV.	Retained earnings (+/-)	74 849 908	94 142 586
A.IV.1.	Other reserve funds	74 849 908	94 142 586
A.V.	Profit or loss for the current period (+/-)	13 586 298	2 908 939
B.+C.	Liabilities	39 069 576	31 900 660
B.	Provisions	1 818	210 584
B.2.	Provision for income taxes		209 601
B.4.	Other provisions	1 818	983
C.	Payables	39 067 758	31 690 076
C.I.	Long-term payables	26 801 176	15 258 671
C.I.1.	Bonds issued	1 312 250	
C.I.1.2.	Other operating income	1 312 250	
C.I.2.	Payables to credit institutions	3 399 400	2 083 620
C.I.5.	Long-term bills of exchange to be paid	333 162	845 168
C.I.6.	Payables – controlled or controlling entity	21 609 717	12 269 883
C.I.9.	Payables – other	146 647	60 000
C.I.9.3.	Other payables	146 647	60 000
C.II.	Short-term payables	12 266 582	16 431 405
C.II.1.	Bonds issued	1 511 715	2 048 277
C.II.1.2.	Other bonds	1 511 715	2 048 277
C.II.2.	Payables to credit institutions	3 088 724	3 011 081
C.II.4.	Trade payables	40 005	96 282
C.II.5.	Short-term bills of exchange to be paid	2 561 163	2 108 372
C.II.6.	Payables – controlled or controlling entity	4 880 047	8 662 305
C.II.8.	Other payables	184 928	505 088
C.II.8.1.	Payables to partners		464 865
C.II.8.3.	Payables to employees	3 505	2 690
C.II.8.4.	Social security and health insurance payables	1 053	883
C.II.8.5.	State – tax payables and subsidies	786	637
C.II.8.6.	Estimated payables	110 348	10 430
C.II.8.7.	Other payables	69 236	25 583
D.	Other liabilities	7 641	476
D.1.	Accrued expenses	7 641	476

# Profit and Loss Account

Energetický a průmyslový holding, a.s.  
Corporate ID 283 56 250

## STRUCTURED BY THE NATURE OF EXPENSE METHOD

31.12.2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		Year ended 31.12.2020	Year ended 31.12.2019
I.	Sales of products and services	29 387	76 702
A.	Purchased consumables and services	331 601	317 837
A.2.	Consumed material and energy	4 751	1 158
A.3.	Services	326 850	316 679
B.	Change in internally produced inventory (+/-)	3 918	-5 013
D.	Personnel expenses	85 318	56 586
D.1.	Payroll costs	68 774	45 303
D.2.	Social security and health insurance costs and other charges	16 544	11 283
D.2.1.	Social security and health insurance costs	16 530	11 270
D.2.2.	Other charges	14	13
E.	Adjustments to values in operating activities	162	95
E.1.	Adjustments to values of intangible and tangible fixed assets	162	95
III.	Other operating income	891 663	3 349 530
III.3.	Other operating income	891 663	3 349 530
F.	Other operating expenses	935 374	3 374 799
F.3.	Taxes and charges	11	30 285
F.4.	Reserves relating to operating activities and complex deferred expenses	835	-365
F.5.	Other operating expenses	934 528	3 344 879
*	Operating profit or loss (+/-)	-435 323	-318 072
IV.	Income from non-current financial assets – equity investments	16 646 887	9 398 949
IV.1.	Income from equity investments – controlled or controlling entity	16 646 887	9 398 949
G.	Costs of equity investments sold	25 002	69 500
VI.	Interest income and similar income	836 474	891 466
VI.1.	Interest income and similar income – controlled or controlling entity	224 530	197 212
VI.2.	Other interest income and similar income	611 944	694 254
I.	Adjustments to values relating to financial activities	-3 730 173	6 604 288
J.	Interest expenses and similar expenses	1 532 967	859 706
J.1.	Interest expenses and similar expenses – controlled or controlling entity	984 939	528 656
J.2.	Other interest expenses and similar expenses	548 028	331 050
VII.	Other financial income	4 773 474	1 691 092
K.	Other financial expenses	10 412 251	937 840
*	Financial profit or loss (+/-)	14 016 788	3 510 173
**	Profit or loss before tax (+/-)	13 581 465	3 192 101
L.	Income tax	-4 833	283 162
L.1.	Due income tax	-4 833	283 162
**	Profit or loss net of tax (+/-)	13 586 298	2 908 939
***	Profit or loss for the current period (+/-)	13 586 298	2 908 939
*	Net turnover for the current period	23 177 885	15 407 739

# Statement of Changes in Equity

Energetický a průmyslový holding, a.s.  
Corporate ID 283 56 250

Year ended 31 December 2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

	Share capital	Gains or losses from the revaluation of assets and liabilities	Accumulated profits brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2018	3 535 135	-295 899	114 303 952	2 486 245	120 029 433
Distribution of profit or loss			2 486 245	-2 486 245	
Profit shares declared			-22 647 611		-22 647 611
Gains or losses from the revaluation of assets and liabilities		-55 839			-55 839
Profit or loss for the current period				2 908 939	2 908 939
Balance at 31 December 2019	3 535 135	-351 738	94 142 586	2 908 939	100 234 922
Distribution of profit or loss			2 908 939	-2 908 939	
Resolution on the increase in share capital	464 865				464 865
Profit shares declared			-22 201 617		-22 201 617
Gains or losses from the revaluation of assets and liabilities		70 104			70 104
Profit or loss for the current period				13 586 298	13 586 298
Balance at 31 December 2020	4 000 000	-281 634	74 849 908	13 586 298	92 154 572



# Cash Flow Statement

Energetický a průmyslový holding, a.s.  
Corporate ID 283 56 250

Year ended 31 December 2020  
(in CZK thousand)

Pařížská 130/26  
Josefov  
110 00 Praha 1

		Year ended 31.12.2020	Year ended 31.12.2019
P.	Opening balance of cash and cash equivalents	1 989 273	5 168 844
	<b>Cash flows from ordinary activities (operating activities)</b>		
Z.	Profit or loss from ordinary activities before tax	13 581 465	3 192 101
A.1.	Adjustments for non-cash transactions	-14 324 415	-3 194 752
A.1.1.	Depreciation of fixed assets	162	95
A.1.2.	Change in provisions	-3 645 855	6 599 275
A.1.3.	Profit/(loss) on the sale of fixed assets	298	-180 745
A.1.4.	Revenues from profit shares	-16 622 908	-9 148 704
A.1.5.	Interest expense and interest income	696 493	-31 760
A.1.6.	Adjustments for other non-cash transactions	5 247 395	-432 913
A.*	<b>Net operating cash flow before changes in working capital</b>	<b>-742 950</b>	<b>-2 651</b>
A.2.	Change in working capital	75 250	31 693
A.2.1.	Change in operating receivables and other assets	107 577	393 493
A.2.2.	Change in operating payables and other liabilities	-32 327	-361 800
A.**	<b>Net cash flow from operations before tax</b>	<b>-667 700</b>	<b>29 042</b>
A.3.	Interest paid	-1 253 473	-794 387
A.4.	Interest received	521 234	243 807
A.5.	Income tax paid from ordinary operations	-390 975	-156 326
A.***	<b>Net operating cash flows</b>	<b>-1 790 914</b>	<b>-677 864</b>
	<b>Other operating income</b>		
B.1.	Fixed assets expenditures	-604 532	-194 592
B.2.	Proceeds from fixed assets sold		249 891
B.3.	Loans and borrowings to related parties	3 038 054	-5 988 112
	Received profit shares	275 196	323 900
B.***	<b>Net investment cash flows</b>	<b>2 708 718</b>	<b>-5 608 913</b>
	<b>Cash flow from financial activities</b>		
C.1.	Change in payables from financing	22 718 005	22 230 949
C.2.	Impact of changes in equity	-22 201 617	-19 123 743
C.2.1.	Cash increase in share capital	464 865	
C.2.6.	Profit shares paid	-22 666 482	-19 123 743
C.***	<b>Net financial cash flows</b>	<b>516 388</b>	<b>3 107 206</b>
F.	<b>Net increase or decrease in cash and cash equivalents</b>	<b>1 434 192</b>	<b>-3 179 571</b>
R.	<b>Closing balance of cash and cash equivalents</b>	<b>3 423 465</b>	<b>1 989 273</b>

# Notes to the Czech statutory financial statements

(non-consolidated, translated from the Czech original)

## ENERGETICKÝ A PRŮMYSLVÝ HOLDING, A.S.

Year ended 31 December 2020  
(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

## 1. Incorporation and description of the Company

Energetický a průmyslový holding, a.s. (“the Company” or “EPH”) was registered in the Commercial Register on 10 August 2009 by subscription of the registered capital in the form of a non-monetary contribution of 100% of shares of Bauliga, a.s., Honor Invest, a.s. and Masna Holding Limited.

Energetický a průmyslový holding is a leading Central European energy group that owns and operates assets in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Ireland, France, and Switzerland. EPH is a vertically integrated energy utility company covering the complete value chain ranging from highly efficient cogeneration, power and heat generation, natural gas transmission, gas storage, as well as gas, heat and electricity distribution and supply. The Group scope includes also trading and logistics platforms and gas infrastructure management.

### OWNERSHIP STRUCTURE

The shareholders of the Company as of 31 December 2020 are:

	Interest in registered capital	Interest in registered capital
EP Corporate Group, a.s.	53%	53%
EP Investment II S.à r.l.	3%	3%
KUKANA ENTERPRISES LIMITED	44%	44%
	100%	100%

REGISTERED OFFICE

Pařížská 130/26, Josefov  
110 00 Praha 1  
Czech Republic

IDENTIFICATION NUMBER

283 56 250

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2020

BOARD OF DIRECTORS

JUDr. Daniel Křetínský (Chairman)  
Mgr. Marek Spurný  
Mgr. Pavel Horský  
Ing. Jan Špringl

SUPERVISORY BOARD

Mgr. Petr Sekanina (Chairman)  
Mgr. Tereza Štefunková  
Mgr. Martin Fedor

2. Basis of accounting and general accounting policies applied by the Company

The accompanying financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations, and decrees applicable to entrepreneurs, Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The financial statements have been prepared on the historical cost basis.

The financial statements of the Company have been prepared as at the balance sheet date of 31 December 2020 for the 2020 calendar year (“the year” or “the accounting period”).

All amounts are shown in thousands of Czech crowns (“CZK thousand”), unless stated otherwise.

A TANGIBLE AND INTANGIBLE FIXED ASSETS

VALUATION METHOD

Purchased fixed assets are measured at prices pursuant to Section 47 of Decree No. 500/2002. Tangible fixed assets costing up to CZK 40 thousand and intangible fixed assets costing up to CZK 60 thousand are not recognised in the balance sheet and are expensed in the year that they are acquired.

Assets generated by the Company’s own activity are measured at cost, which includes direct material and personnel expenses and overheads related to the production of the assets. Interest and other financial expenses are capitalised during the period of acquisition of the assets, i.e. until the assets are put to use. Afterwards, they are part of financial costs.

Intangible and tangible fixed assets acquired free of charge are measured at their replacement cost and posted in the ‘Other capital funds’ account (not depreciated) and in asset accounts against accumulated depreciation (depreciated).

The temporary impairment of fixed intangible and tangible assets is shown through adjustments, which are reported in the correction column of the balance sheet along with depreciation.

Costs of technical improvement increases the cost of intangible and tangible fixed assets. Repair and maintenance costs are charged to current year expenses.

DEPRECIATION (AMORTISATION)

Tangible and intangible fixed assets are depreciated (amortised) based on their acquisition cost and estimated useful lives on a straight-line and monthly basis, depreciation (amortisation) starts in the month following the month in which a relevant asset is put into use and ends in the month in which the asset is disposed of. For technical improvements that become part of the depreciated assets, depreciation (amortisation) starts in the month in which a relevant technical improvement is put into use (this does not apply to technical improvements made to fixed assets of another).

Assets are depreciated (amortised) using the following methods over the following periods:

Assets	Method	Period
Computer technology	Straight-line	3 years
Other intangible assets (trademark)	Straight-line	6 years

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

## B NON-CURRENT FINANCIAL ASSETS

Non-current financial assets include equity investments in subsidiaries and associated companies, debt securities that the Company has the intent and ability to hold to maturity, and other long-term securities for which the Company's intent is not known upon acquisition.

Securities are initially stated at cost defined under Section 48 of Decree No. 500/2002 Coll. The cost of securities does not include interest on loans taken for their acquisition and expenses associated with their holding.

Equity investments are measured at acquisition cost at the balance sheet date. Where a particular equity investment has been impaired, a provision is recognised based on performed impairment tests. Impairment tests are carried out in the form of discounted operating cash flows.

Ownership interests contributed to the Company's registered capital are measured based on an expert opinion of an independent expert appointed by court.

Available-for-sale securities and ownership interests are measured at fair value if the value can be determined. A change in fair value of available-for-sale securities is recognised in gains or losses from the revaluation of assets and liabilities in equity, if this is a change in fair value that is unlikely to be permanent. Impairment that is likely to be permanent is recognised as current period costs. If fair value of available-for-sale securities demonstrably increases after the impairment is recognised in finance cost accounts, the increase in fair value recognised up to the amount of formerly recognised impairment is recognised as revenue of the relevant period. The market value of securities as of the date of financial statements is used as the fair value.

If securities are held in foreign currencies, they are translated as at the balance sheet date using the current rates of exchange announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

## C RECEIVABLES

Receivables are accounted for at their nominal value, assigned receivables are stated at acquisition cost, i.e. including other related costs (Section 25 of Act No. 563/1991 Coll.). As of the balance sheet date, a temporary impairment of doubtful receivables is accounted for using provisions that are debited to expenses and are shown in the correction column in the balance sheet. Provisions are recognised against receivables based on an analysis of the credit status of individual customers.

The value of receivables from provided loans is increased by uncollected interest (except for default interest).

## D DERIVATIVES

### TRADING DERIVATIVES

As of the balance sheet date, derivatives held for trading are recognised at fair value under 'Other receivables' or 'Other payables', and gains (losses) from changes in their fair values are recognised in profit or loss.

## E LOANS RECEIVED AND GRANTED

Short-term and long-term loans are initially recognised at their nominal value upon receipt. Upon the preparation of the financial statements the loan balances are increased by unpaid interest charged by banks or other parties. The part of long-term loans due within one year from the balance sheet date is classified as short-term.

## F FOREIGN CURRENCY TRANSACTIONS

The Company applies the Czech National Bank official exchange rate effective on the date of acquisition of an asset or the occurrence of a liability to translate foreign currency transactions. Realised foreign exchange gains and losses are recognised in the profit and loss account.

As of the balance sheet date, foreign currency assets and liabilities are translated at the prevailing Czech National Bank official rates and all foreign exchange differences arising from gains or losses from assets and liabilities were recorded in financial revenues or financial expenses (except for equity investments – see Note 2(b)).

## G RECOGNITION OF EXPENSES AND REVENUES

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing. In compliance with the principle of prudence, reserves, and provisions are created to cover all risks, losses and impairment known as of the balance sheet date and are debited to expenses.

## H INCOME TAX

Current income tax is calculated using the effective tax rate and the accounting profit increased or decreased by permanent or temporary non-deductible expenses and non-taxable revenues (e.g. the creation and utilisation of other reserves and provisions, representation costs, differences between accounting and tax depreciation).

Deferred income tax is determined for companies constituting a group of companies and for all entities subject to the obligation of having their financial statements audited. It is based on the balance sheet approach, i.e. the temporary differences between the tax base of assets and liabilities and their book value in the balance sheet, multiplied by the income tax rate expected to be valid for the subsequent accounting period.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

A provision for income tax is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this reserve and records the actual tax liability determined.

In the balance sheet, the income tax reserve is reduced by income tax prepayments, and the net receivable (if any) is presented in 'State – tax receivables', the net payable (if any) is presented in 'Income tax reserve'.

## I CONSOLIDATION

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the EU. The consolidated financial statements are part of the consolidated annual report, which may be obtained at the Company's registered office and at [www.epholding.cz](http://www.epholding.cz) or [www.justice.cz](http://www.justice.cz) in the collection of documents of Energetický a průmyslový holding, a.s.

The consolidated financial statements for the widest group of entities for the year 2020 are prepared by EP Investment S.à r.l, with its registered office at Avenue John F. Kennedy 39, L-1855 Luxembourg.

## J EXTERNAL FINANCING COSTS

Costs incurred to obtain external financing (including other associated costs) are charged to current year expenses on a one-off basis.

## K DIVIDENDS

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Profit share prepayments are recognised in current year revenues, i.e. in the period when the profit share prepayment was declared.

## 3. Change in accounting policies and procedures

In 2020, no changes were made to the Company's accounting policies and procedures.

## 4. Other significant events – Impacts of COVID-19 on the financial statements

The events related to the COVID-19 pandemic do not entail any uncertainties for the Company that would fundamentally challenge the Company's ability to continue as a going concern.

In accordance with the disclosure requirements, the Company carefully considered its specific conditions and risk factors when analysing the possible impacts of the global COVID-19 pandemic on its financial statements. Based on the assessment, no significant impacts on the financial statements for the year ended 31 December 2020 were identified. The Company mainly focused on the following areas:

- In connection with the impacts of the pandemic, the methodology of creating assumptions and estimates did not change compared to the procedures applied in previous financial statements. Any potential changes are described in the Notes above and have a different (e.g. legal) reason.
- When assessing the impacts of the pandemic, no reasons for the impairment of non-financial assets were identified; therefore, the Company believes that the financial statements fully reflect the recoverable amount or net realisable value of a particular asset.
- Similarly, when measuring assets at fair value, identifying provisions or classifying financial assets, market data at the measurement date were fully reflected at arm's length. The Company also assessed the ability of debtors to meet their obligations. The Company also critically assessed whether its business activities were affected by supply and demand disruptions and identified no significant impacts that would affect the measurement of financial assets.
- The Company received no government subsidies.
- The pandemic situation did not affect compliance with covenants.
- In connection with COVID-19, the Company neither excluded any items from the operating income nor introduced any new alternative performance measures.

Although there is uncertainty about future events, the Company’s management will continue to critically monitor and assess the impacts of the pandemic and adopt or adjust relevant measures to be able to eliminate or successfully address and minimise all financial and non-financial impacts that may arise.

5. Cash flow statement

The cash flow statement was prepared using the indirect method. Cash equivalents represent short-term liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(in CZK thousand)

	Balance as of 31/12/2020	Balance as of 31/12/2019
Cash on hand	11	25
Cash at bank	3 423 454	1 989 248
<b>Total</b>	<b>3 423 465</b>	<b>1 989 273</b>

Cash flows from operating, investing or financial activities presented in the cash flow statement are not off-set.

6. Non-current financial assets

AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

Equity investments – controlled or controlling entity				
	Total profit (+) loss (-) for year 2020 (in thousands of CZK/EUR/ PLN/RSD)	Equity as of 31/12/2020 (in thousands of CZK/EUR/ PLN/RSD)	Acquisition cost as of 31/12/2020 (in CZK thousand)	Acquisition cost as of 31/12/2019 (in CZK thousand)
SEDILAS ENTERPRISES LIMITED*	-13 (EUR)	55 (EUR)	26	25
Mining Services and Engineering Sp. z o.o.*	549 (PLN)	4 117 (PLN)	294	304
EPIF Investments a.s.*	22 987 723 (CZK)	99 681 106 (CZK)	91 059 000	91 059 000
EP Investment Advisors, s.r.o.*	10 470 (CZK)	271 930 (CZK)	437 000	437 000
EP Logistics International, a.s.*	-4 242 (CZK)	64 520 (CZK)	68 070	68 070
JTSD Braunkohlebergbau GmbH*	-151 035 (EUR)	60 995 (EUR)	409 464	396 437
Nadácia EPH*	0 (EUR)	6 (EUR)	174	169
EPH Financing SK, a.s.	211 (EUR)	7 325 (EUR)	184 507	178 637
EP Slovakia B.V.*	-371 (EUR)	157 064 (EUR)	4 172 378	4 039 631
EPH Financing CZ, a.s.*	-6 521 (CZK)	1 864 (CZK)	12 000	12 000
EP Resources CZ a.s. * (formerly EP Coal Trading, a.s.)	69 347 (CZK)	267 027 (CZK)	2 000	141 000
EP Power Europe, a.s.*	2 295 187 (CZK)	32 430 386 (CZK)	16 583 726	16 362 800
Adconcretum real estate Ltd.*	-1 663 (RSD)	216 962 (RSD)	91 585	88 671
ABS PROPERTY LIMITED*	-42 524 (CZK)	50 510 (CZK)	56 195	54 407
SLUGGERIA a.s.	-	-	-	1 971
WOOGEL LIMITED*	535 (CZK)	5 064 (CZK)	6	6
DCR INVESTMENT a.s., v likvidaci**	-	-	2 562	2 562
EP Real Estate, a.s.*	177 587 (CZK)	975 609 (CZK)	1 300 000	1 300 000
EP Hagibor a.s.	-	-	-	23 031
<b>Total</b>			<b>114 378 987</b>	<b>114 165 721</b>

\* Data derived from non-audited financial statements as of 31 December 2020.  
\*\* The Company entered into the liquidation process on 1 February 2020.

Except for WOOGEL LIMITED (25%) and JTSD (10%), all equity investments are fully owned.



AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

Equity investments – in associates				
	Total profit (+) loss (-) for year 2020 (in PLN thousand)	Equity as at 31/12/2020 (in PLN thousand)	Acquisition cost as of 31/12/2020 (in CZK thousand)	Acquisition cost as of 31/12/2019 (in CZK thousand)
Przedsiębiorstwo Górnicze Silesia Sp. z o.o.* (“PGS”)	- 185 557	- 1 074 884	2 646 635	1 999 146
<b>Total</b>			<b>2 646 635</b>	<b>1 999 146</b>

\* Data derived from non-audited financial statements as of 31 December 2020.

The interest in share capital of PGS is 38.93%.

The Company recognised a valuation allowance in the amount of CZK 2,644,707 thousand against its equity investment in associate PGS (as of 31 December 2019: CZK 1,999,146 thousand).

REGISTERED OFFICES OF THE COMPANIES AS OF 31 DECEMBER 2020 WERE AS FOLLOWS:

SEDILAS ENTERPRISES LIMITED, 41-43, KLIMENTOS TOWER, Floor 2, Flat/Office 23, P.C. 1061, Nicosia, Cyprus
WOOGEL LIMITED, Kyriacou Matsi, 16, Eagle House, 8th Floor, Agioi Omologites, P.C. 1082, Nicosia, Cyprus
Adconcretum real estate Ltd., Belgrade, Vuka Karadzica 6, Serbia
ABS PROPERTY LIMITED, 7 Argyle Square, Morehampton Road, Donnybrook, Dublin 4, D04K3H0, Ireland
JTSD Braunkohlebergbau GmbH, Glück-Auf-Straße 1, 06711 Zeitz, Germany
EP Logistics International, a.s., náměstí Hrdinů 1693/4a, Nusle, 140 00 Praha 4, Czech Republic
EP Real Estate, a.s., Partyzánská 1/7, Holešovice, 170 00 Praha 7, Czech Republic
EP Power Europe, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
DCR INVESTMENT a.s., v likvidaci, Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EPIF Investments a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Investment Advisors, s.r.o., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Mining Services and Engineering Sp. z o.o., ul. Górnicza 60, 43-502, Czechowice-Dziedzice, Poland
Przedsiębiorstwo Górnicze Silesia Sp. z o.o., ul. Górnicza 60, 43-502, Czechowice-Dziedzice, Poland
Nadácia EPH, Cukrová 2272/14, Bratislava – Staré Mesto, 811 08, Slovakia
EPH Financing SK, a.s., Dúbravská cesta 14, Bratislava – mestská časť Karlova Ves, 841 04, Slovakia
EPH Financing CZ, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Slovakia B.V., Schiphol Boulevard 477 C-4, 1118BK, Schiphol, Netherlands
EP Resources CZ , a.s., Českoobrtrská 3321/46, Moravská Ostrava, 702 00 Ostrava, Czech Republic
EP Slovakia B.V., Schiphol Boulevard 477 C-4, 1118BK, Schiphol, Netherlands
EP Coal Trading, a.s., Českoobrtrská 3321/46, Moravská Ostrava, 702 00 Ostrava, Czech Republic

In 2020, there were the following changes in non-current financial assets:

- a) On 1 April 2020, the Company sold its 100% interest in EP Hagibor a.s. of CZK 22,733 thousand to EP Real Estate, a.s.
- b) On 20 May 2020, the Company sold its 100% interest in SLUGGERIA a.s. of CZK 1,246 thousand to Boldore a.s.
- c) On 3 July 2020, the Company increased its shareholding in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 220,926 thousand.
- d) On 31 July 2020, the Company increased its shareholding in Przedsiębiorstwo Górnicze Silesia Sp. z o.o in the form of an increase in the share capital of CZK 742,435 thousand.
- e) On 11 September 2020, the Company increased its shareholding in Przedsiębiorstwo Górnicze Silesia Sp. z o.o in the form of an increase in the share capital of CZK 682 thousand.
- f) On 14 December 2020, the Company decreased its shareholding in EP Resources CZ a.s. based on the decision of the General Meeting on the refund of an additional equity contribution of CZK 139,000 thousand.

Other non-current securities and investments include acquired profit participation certificates measured at fair value of CZK 119,748 thousand (CZK 110,358 thousand as of 31 December 2019).

7. Long-term receivables

A RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Logistics International, a.s.	109 030	-	2027
EP Logistics International, a.s.	160 000	-	2023
EP Logistics International, a.s.	194 213	283	2022
EP Resources CZ a.s.	345 300	-	2023
<b>Total</b>	<b>808 543</b>	<b>283</b>	

31 DECEMBER 2019

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Logistics International, a.s.	109 030	-	2027
EP Logistics International, a.s.	188 034	86	2022
<b>Total</b>	<b>297 064</b>	<b>86</b>	

B OTHER RECEIVABLES

As of 31 December 2019, other receivables primarily include loans provided to a third party, which include outstanding interest and bear a fixed interest rate, in the amount of CZK 3,990,352 thousand, against which the Company recognised a valuation allowance in the amount of CZK 3,990,352 thousand on the basis of a credit analysis; other receivables also include receivables arising from positive fair values of derivatives in the amount of CZK 15,910 thousand as stated below.

As of 31 December 2020, the Company recognised other receivables in the amount of CZK 7 thousand.

31 DECEMBER 2019

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2022	7 898
Interest rate swap	Bank no. 2	2022	8 012
<b>Total</b>			<b>15 910</b>

8. Short-term receivables

A TRADE RECEIVABLES

Trade receivables amount to CZK 278,753 thousand (CZK 186,716 thousand as of 31 December 2019). None of the trade receivables is due in more than five years as of the balance sheet date.

Short-term receivables also include intercompany debit advices resulting from provided guarantees in the amount of CZK 109,065 thousand (CZK 40,744 thousand as of 31 December 2019).

B RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest
ABS PROPERTY LIMITED	57 588	-
Adconcretum real estate Ltd.	898	-
Boldore a.s.	1 246	-
EP COAL TRADING POLSKA S.A.	126 694	-
EP Energy, a.s.	221 245	-
EP Investment Advisors, s.r.o.	1 000	-
EP Real Estate, a.s.	88 000	-
EP Resources AG	107 111	-
EP Resources CZ a.s.	111 173	2 309
EPH Financing CZ, a.s.	6 358	-
Mining Services and Engineering Sp. z o.o.	25 898	12 241
EP Power Europe, a.s.	10 618 547	37 298
<b>Total</b>	<b>11 365 758</b>	<b>51 848</b>

### 31 DECEMBER 2019

(in CZK thousand)

Counterparty	Principal	Outstanding interest
Mining Services and Engineering Sp. z o.o.	26 865	12 563
EP Power Europe, a.s.	14 231 692	37 194
<b>Total</b>	<b>14 258 557</b>	<b>49 757</b>

### C RECEIVABLES - ASSOCIATES

### 31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
Przedsiębiorstwo Górnicze Silesia Sp. z o.o.	4 040 603	638 940	2021
<b>Total</b>	<b>4 040 603</b>	<b>638 940</b>	

### 31 DECEMBER 2019

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
Przedsiębiorstwo Górnicze Silesia Sp. z o.o.	4 236 225	638 762	2020
<b>Total</b>	<b>4 236 225</b>	<b>638 762</b>	

The Company recognised a valuation allowance against the provided loan in the amount of CZK 4,489,607 thousand (CZK 4,874,987 thousand as of 31 December 2019).

### D RECEIVABLES FROM PARTNERS

As of 31 December 2019, receivables from partners include the outstanding dividend receivable from EP Coal Trading, a.s. in the amount of CZK 25,513 thousand which was announced on 21 October 2019 and paid out in January 2020.

### E STATE - TAX RECEIVABLES

As of 31 December 2020, State – tax receivables primarily include a receivable arising from income tax prepayments made of CZK 186,197 thousand and a receivable arising from value added tax of CZK 27,244 thousand. As of 31 December 2019, this item comprises a receivable arising from value added tax of CZK 16,270 thousand.

### F OTHER RECEIVABLES

Other receivables primarily include loans granted to non-related entities in the amount of CZK 25,680 thousand (CZK 797,084 thousand as of 31 December 2019), other receivables from operating activities in the amount of CZK 1,160 thousand (CZK 1,149 thousand as of 31 December 2019) and receivables arising from positive fair value of derivatives in the amount of CZK 346,002 thousand as stated below (CZK 123,922 thousand as of 31 December 2019).

### 31 DECEMBER 2020

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2021	40 495
Currency swap	Bank no. 2	2021	50 323
Currency forward	Bank no. 3	2021	11 077
Currency forward	Bank no. 4	2021	188 075
Currency forward	Bank no. 5	2021	56 032
<b>Total</b>			<b>346 002</b>

### 31 DECEMBER 2019

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2020	18 583
Currency swap	Bank no. 2	2020	93 769
Currency forward	Bank no. 3	2020	11 570
<b>Total</b>			<b>123 922</b>

## 9. Equity

On 24 January 2020, the General Meeting of the Company decided to increase the share capital in the amount of CZK 464,865,040. The share capital thus amounts to CZK 4,000,000 thousand.

The change in gains or losses from the revaluation of assets and liabilities is due to foreign exchange differences arising from the revaluation of foreign currency shareholdings.

On 29 June 2020, the General Meeting of the Company decided to transfer the profit for the year 2019 to the retained earnings and declared the dividends to its shareholders in the amount of CZK 5,283,377 thousand.

In July and December 2020, the General Meeting of the Company decided to declare the dividends to its shareholders in the amount of CZK 16,918,240 thousand, which were paid in cash.

As of the date of approval of these financial statements, the proposal for distribution of the profit for the year 2020 has not been made yet. The proposal will be prepared by the Board of Directors for the Company's shareholders and subsequently discussed and approved by the General Meeting.

In 2020, the Company did not acquire treasury shares or ownership interests.

## 10. Provision for income taxes

As of 31 December 2020, the Company recognised no provision for income taxes. As of 31 December 2019, the Company recognised a provision for income taxes in the amount of CZK 290,000 thousand, which was reduced by income tax prepayments in the amount of CZK 80,399 thousand.

## 11. Long-term payables

### A OTHER BONDS

#### 31 DECEMBER 2020

(in CZK thousand)

Bond	Principal	Outstanding interest	Due date
Bond no. 1	1 312 250	17 847	2025
<b>Total</b>	<b>1 312 250</b>	<b>17 847</b>	

The bond has no prospectus and is not listed in any public market.

Outstanding interest of CZK 17,847 thousand is presented in short-term payables on the line 'Other bonds'.

### B PAYABLES TO CREDIT INSTITUTIONS

#### 31 DECEMBER 2020

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	524 900	321	None	2023
Bank no. 2	524 900	-	None	2023
Bank no. 3	918 575	-	None*	2025
Bank no. 4	918 575	2 513	None	2023
Bank no. 5	512 450	593	None*	2023
<b>Total</b>	<b>3 399 400</b>	<b>3 427</b>		

\* Procedurally secured with a blank bill.

31 DECEMBER 2019

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	508 200	2 640	• None	2021
Bank no. 2	508 200	810	• None	2021
Bank no. 3	1 245 090	-	• None*	2025
<b>Total</b>	<b>2 261 490</b>	<b>3 450</b>		

\* Procedurally secured with a blank bill.

A short-term portion of the bank loan in the amount of EUR 7,000 thousand (CZK 183,715 thousand), EUR 7,000 thousand (CZK 177,870 thousand) as of 31 December 2019, is presented together with accrued interest in the short-term payables to credit institutions.

C LONG-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2020

(in CZK thousand)

	Nominal value	Interest
Bills maturing in 2022 and 2023	329 709	3 453
<b>Total</b>	<b>329 709</b>	<b>3 453</b>

31 DECEMBER 2019

(in CZK thousand)

	Nominal value	Interest
Bills maturing in 2021	809 843	35 325
<b>Total</b>	<b>809 843</b>	<b>35 325</b>

D PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EPH Financing SK, a.s.	183 715	9 009	2022
EPH Financing CZ, a.s.	10 000	550*	2022
EPH Financing CZ, a.s.	2 601 000	28 817	2022
EPH Financing CZ, a.s.	7 500 000	96 562	2025
EP FRANCE	4 592 875	15 635	2023
EP Investment Advisors, s.r.o.	45 000	3	2022
EP Power Europe, a.s.	6 676 576	604	2023
<b>Total</b>	<b>21 609 166</b>	<b>151 180</b>	

\* The interest is due together with the principal.

31 DECEMBER 2019

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EPH Financing SK, a.s.	177 870	3 957	2022
EPH Financing CZ, a.s.	10 000	199*	2022
EPH Financing CZ, a.s.	2 601 000	51 223	2022
DCR INVESTMENT a.s., v likvidaci	1 779	1	2021
EP Investment Advisors, s.r.o.	45 000	5	2022
EP Power Europe, a.s.	9 434 035	853	2023
<b>Total</b>	<b>12 269 684</b>	<b>56 238</b>	

\* The interest is due together with the principal.

The outstanding interest as of 31 December 2020 and 31 December 2019 is presented in ‘Short-term payables – controlled or controlling entity’.



## E OTHER PAYABLES

As of 31 December 2020, long-term other payables primarily include liabilities arising from the fair value of derivatives in the amount of CZK 146,647 thousand. As of 31 December 2019, other payables included a financial borrowing in the amount of CZK 60,000 thousand, which is presented in short-term other payables in 2020.

### 31 DECEMBER 2020

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2025	13 633
Currency forward	Bank no. 2	2022	41 879
Currency forward	Bank no. 2	2025	46 546
Currency forward	Bank no. 3	2022	44 589
<b>Total</b>			<b>146 647</b>

# 12. Short-term payables

## A OTHER BONDS

As of 31 December 2020, other bonds in the amount of CZK 1,493,868 thousand include the principal and accrued interest (see the table below) and accrued interest on bonds of CZK 17,847 thousand, the principal of which is reported in long-term other bonds. As of 31 December 2019, other bonds in the amount of CZK 2,048,277 thousand included a principal with accrued interest (see the table below).

### 31 DECEMBER 2020

(in CZK thousand)

Bonds	Principal	Accrued interest	Maturity
Bond 2	1 167 902	11 582	2023**
Bond 3	314 940	-556*	2023**
<b>Total</b>	<b>1 482 842</b>	<b>11 026</b>	

\* The value represents an interest overpayment in the amount of CZK 556 thousand.  
\*\* Classified in short-term payables due to an option that may be exercised in 2021.

### 31 DECEMBER 2019

(in CZK thousand)

Bonds	Principal	Accrued interest	Maturity
Bond 1	1 572 827	12 233	2020
Bond 2	457 380	5 837	2020
<b>Total</b>	<b>2 030 207</b>	<b>18 070</b>	

The bonds do not have a prospectus and are not listed on any public market.

## B PAYABLES TO CREDIT INSTITUTIONS

### 31 DECEMBER 2020

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	1 495 965	-	None	2021
Bank no. 3	498 655	-	None	2021
Bank no. 4	380 553	-	None	2021
Bank no. 6	524 900	1 510	None	2021
<b>Total</b>	<b>2 900 073</b>	<b>1 510</b>		

### 31 DECEMBER 2019

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	1 448 370	-	None	2020
Bank no. 3	482 790	-	None	2020
Bank no. 4	393 855	-	None	2020
Bank no. 5	504 100	646	None	2020
<b>Total</b>	<b>2 829 115</b>	<b>646</b>		

This line also includes the short-term portion of the bank loan and accrued interest (see Note 11(b)).

## C TRADE PAYABLES

None of the trade payables is due in more than five years as of the balance sheet date.

D SHORT-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2020

(in CZK thousand)

Bill holder	Nominal value	Interest
Bills maturing in 2021	2 465 487	95 676
<b>Total</b>	<b>2 465 487</b>	<b>95 676</b>

31 DECEMBER 2018

(in CZK thousand)

Bill holder	Nominal value	Interest
Bills maturing in 2020	2 055 911	52 461
<b>Total</b>	<b>2 055 911</b>	<b>52 461</b>

E PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2020

(in CZK thousand)

Counterparty	Principal	Outstanding interest
SEDILAS ENTERPRISES LIMITED	1 648	1
EP Investment Advisors, s.r.o.	45 000*	3
EP Commodities, a.s.	3 805 525	156
WOOGEL LIMITED	5 669	47
EP Mehrum GmbH	916 323	48
EPH Financing CZ, a.s.	10 000*	550*
EPH Financing CZ, a.s.	2 601 000*	28 817
EPH Financing CZ, a.s.	7 500 000*	96 562
EPH Financing SK, a.s.	183 715*	9 009
EP FRANCE	4 592 875*	15 635
EP Power Europe, a.s.	6 676 576*	605
<b>Total as of 31/12/2020</b>	<b>26 338 331</b>	<b>151 433</b>

\* The loan principal totalling CZK 21,609,166 thousand and interest of CZK 550 thousand are presented in ‘Long-term payables – controlled or controlling entity’ (see Note 11(d)).

31 DECEMBER 2019

(in CZK thousand)

Counterparty	Principal	Outstanding interest
SEDILAS ENTERPRISES LIMITED	1 971	3
DCR INVESTMENT a.s., v likvidaci	1 779*	1
EP Investment Advisors, s.r.o.	45 000*	5
EP Commodities, a.s.	1 905 750	78
WOOGEL LIMITED	22 869	493
EP Real Estate, a.s.	200 831	751
EP Mehrum GmbH	877 006	58
EPH Financing CZ, a.s.	10 000*	199*
EPH Financing CZ, a.s.	2 601 000*	51 223
EPH Financing CZ, a.s.	3 000 000	6 125
EPH Financing SK, a.s.	177 870*	3 957
EPH Financing SK, a.s.	1 905 750	22 604
EPPE Italy N.V. (formerly Czech Gas Holding N.V.)	625 688	36 289
EP Power Europe, a.s.	9 434 035*	853
<b>Total as of 31/12/2019</b>	<b>20 809 549</b>	<b>122 639</b>

\* The loan principal totalling CZK 12,269,684 thousand and interest of CZK 199 thousand are presented in ‘Long-term payables – controlled or controlling entity’ (see note 10 (c)).

F PAYABLES TO PARTNERS

As of 31 December 2019, payables to partners include unpaid dividend in the amount of CZK 464,865 thousand, which was settled in 2020.

G ESTIMATED PAYABLES

Estimated payables primarily include non-invoiced expenses from the insurance company in the amount of CZK 98,881 thousand (CZK 9,621 thousand as of 31 December 2019).

H OTHER PAYABLES

As of 31 December 2020, short-term other payables primarily include a financial borrowing in the amount of CZK 60,000 thousand (presented in long-term other payables as of 31 December 2019) and the liabilities arising from fair value of derivatives in the amount of CZK 9,023 thousand (CZK 24,548 thousand as of 31 December 2019):

**31 DECEMBER 2020**

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2021	5 285
Currency forward	Bank no. 2	2021	3 738
<b>Total</b>			<b>9 023</b>

**31 DECEMBER 2019**

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2020	6 201
Currency forward	Bank no. 2	2020	1 455
Currency forward	Bank no. 3	2020	3 262
Currency swap	Bank no. 4	2020	2 231
Currency forward	Bank no. 5	2020	11 399
<b>Total</b>			<b>24 548</b>

## 13. Revenues / Incomes and Expenses / Costs

The decrease in revenues was influenced by centralised intercompany services provided, mainly in the area of controlling, financial management, legal advisory, central procurement, and information technologies.

Services relate specially to costs of accounting, audit, consolidation, legal services, notary services, and travel expenses.

Other operating income and other operating expenses are formed by revenues and expenses from re-invoicing.

Income from equity investments – controlled or controlling entity includes the revenues from the dividend declared by EPIF Investments a.s. in the amount of CZK 14,369,379 thousand, by EP Resources CZ a.s. in the amount of CZK 21,000 thousand, by EP Power Europe, a.s. in the amount of CZK 2,003,845 thousand, by WOOGEL LIMITED in the amount of CZK 4,683 thousand, and by EP Real Estate, a.s. in the amount of CZK 224,000 thousand, and revenues from the sale of equity investments (see Note 6) in the amount of CZK 23,979 thousand.

Adjustments to values relating to financial activities in 2020 and 2019 represent valuation allowances to equity investments and receivables described in Notes 6 and 7.

Other financial expenses and other financial income primarily include foreign exchange losses, losses from revaluation and settlement of derivatives and banking fees, and foreign exchange gains, gains from revaluation and settlement of derivatives and revenues from guarantees. In addition to the above, other financial expenses also include expenses related to the assignment of a receivable.

## 14. Related parties (except for balances presented above)

In compliance with Section 39b (8) of Decree No. 500/2002 Coll., the Company does not disclose transactions (revenues and expenses) between related entities within EPH Group that are wholly owned by the Company.

In addition to revenues from re-invoicing and revenues/incomes or expenses described in detail in the other notes above, the Company reported the following income from related parties which are not fully owned by the Company:

(in CZK thousand)

	Revenues 2020	Expenses 2020	Revenues 2019	Expenses 2019
Interest income / expenses	246 202	353	290 689	-
Other operating income / expenses	-	-	6	-
Other financial income / expenses	3 046	-	9 638	-
<b>Total</b>	<b>249 248</b>	<b>-</b>	<b>300 333</b>	<b>-</b>

## 15. Employees and executives

As of 31 December 2020, the Company had 30 employees (22 employees in 2019). The members of the Board of Directors and the Supervisory Board received no remuneration or loans in relation to their function.

Social security and health insurance liabilities are not overdue.

## 16. Fees payable to statutory auditors

This information is disclosed in the notes to the consolidated financial statements as of and for the year ended 31 December 2020.

## 17. Income tax

### A CURRENT TAX

The Company recognised no provision for income tax for 2020; in 2019, it recognised a provision in the amount of CZK 290,000 thousand. The difference between income tax liability for 2019 and release of the provision recognised as of 31 December 2019 is in the negative amount of CZK 4,833 thousand.

## 18. Significant off-balance sheet transactions

The Company has received commitments from bank institutions of up to CZK 4,289,359 thousand (CZK 4,808,220 thousand as of 31 December 2019).

The Company recognises receivables in the amount of CZK 26,138,358 thousand (CZK 13,212,827 thousand as of 31 December 2019) and payables in the amount of CZK 25,832,072 thousand (CZK 13,060,148 thousand as of 31 December 2019) related to currency and commodity derivatives presented in off-balance sheet accounts.

The Company guarantees all liabilities related to bonds issued by EPH Financing SK, a.s. and EPH Financing CZ, a.s. The bonds issued as of 31 December 2020 amounted to CZK 10,101,000 thousand (CZK 5,601,000 thousand as of 31 December 2019) for EPH Financing CZ, a.s. and CZK 0 thousand (EUR 75,000 thousand; CZK 1,905,750 thousand as of 31 December 2019) for EPH Financing SK, a.s.

As the parent company of the whole EPH Group, the Company issues guarantees for the liabilities of its subsidiaries up to the cumulated amount of CZK 38,158,272 thousand (CZK 31,384,724 thousand as of 31 December 2019) in favour of third-party beneficiaries.

## 19. Material subsequent event

On 8 January 2021, the Company sold its 100% interest in EP Resources CZ, a.s.

On 28 January 2021, the Company sold its 100% interest in Mining Services and Engineering Sp. z o.o.

On 28 January 2021, the Company sold its 38.93% interest in Przedsiębiorstwo Górnicze Silesia.

On 16 March 2021, the Company signed a new EUR 1 billion term and revolving facilities agreement with a banking syndicate comprising of several international banks and Komerční banka, a.s., who acted as agent of the finance parties. The facilities are unsecured and rank pari passu with other financial indebtedness of EPH and have a 3-year term. EPH intends to use proceeds of the facilities primarily to refinance certain other financial indebtedness of the EPH Group as well as for general corporate purposes.

Apart from the events described above and in other notes to these financial statements, the Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as of 31 December 2020.

Prepared on: 15 April 2021



JUDr. Daniel Křetínský  
Chairman of the Board of Directors



Mgr. Pavel Horský  
Member of the Board of Directors

