EP Infrastructure
2020 Annual Report

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Transmission
Distribution
Storage

Gas
Electricity
Heat

EP Infrastructure

Consolidated Financial Statements

as at and for the year ended 31 December 2020

Annual Report 2020

Content

» **Supported by steady economic growth in countries where it operates, EPIF again confirmed its role of the major infrastructure player in the Central European region by delivering reliable and quality service to its customers at attractive prices.**

Daniel Křetínský Chairman of the Board of Directors

Introduction by the Chairman of the Board of Directors

Dear shareholders, business partners, colleagues and friends,

In 2020, EP Infrastructure, a.s. (“EPIF“) continued to operate its traditional energy infrastructure assets in Central Europe. EPIF’s activities remain concentrated on the transmission, distribution and storage of natural gas, the distribution of electricity and the heat industry. Supported by steady economic growth in countries where it operates, EPIF again confirmed its role of the major infrastructure player in the Central European region by delivering reliable and 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 electricity in Slovakia. The EPIF Group also operates the largest gas storage capacities in Central Europe with additional storage facilities in Germany and is significant heat distribution network operator and heat producer in the Czech Republic.

We are proud to confirm that we continue to see a strong resilience of our businesses in the context of the current pandemic, which had a fairly limited impact on our performance.

Following to delivering exceptional results in 2019 driven by front-loading of volumes from 2020, the Gas transmission segment reported strong performance also in 2020. While maintaining its full technical capacity and availability of services for its customers, Eustream transported 57 billion cubic metres of natural gas in 2020. Operational results were positively affected by the higher reverse gas flows primarily between July and September 2020 driven by attractive price of available storage capacities in Ukraine. In 2020, Eustream continued to benefit from its pivotal role as one of the largest and the most important piped gas transit routes into Europe. Within development projects focusing on the enhancement of energy security and the creation of new business opportunities we substantially increased gas transmission capacities from the Czech Republic to Slovakia after the CS05 compressor station was launched in January 2020. Further, we are working on the expansion of our network and on the construction of an interconnection to Poland. The construction of this interconnection is a strategic project that has received financial support from EU funds under the CEF Programme and is scheduled to commence its operation in early 2022.

Introduction by the Chairman of the Board of Directors

Stability and extraordinary resilience of Gas and power distribution segment was proven also over 2020, when operational results were in line with our expectation despite the pandemic. In 2020, SPP-distribúcia, the Slovak regulated natural monopoly, distributed almost 54 TWh of natural gas, which was 3.5% more year on year. At the same time, we continued to increase the efficiency of operating activities and overhaul distribution networks to further reduce the number of leaks in the distribution network and ensure a high level of security when operating our facilities. Stredoslovenska Distribucna, the electricity distributor in central Slovakia, distributed almost 5.9 TWh of electricity in 2020, which is 4.8% below the last year’s volume reflecting lower overall economic activity of major industrial customers as consequence of the pandemic. Nevertheless, financial performance was stable as the volume risk connected with gas and power distribution tariffs applies primarily to households. We also kept on renovating and reconstructing our backbone electricity network to ensure the continuity of our traditional distribution services while reflecting modern trends in electricity distribution. Total capital expenditures in this segment were close to EUR 90 million.

Similarly to 2019, the Heat Infra segment was affected by mild winter at the beginning of 2020. Despite lower heat offtakes coupled with pressure on electricity spreads due to abovementioned economic slowdown, the performance of the Heat infrastructure segment remained robust with 9% contribution to total EPIF Group Adjusted EBITDA. In 2020, the Group supplied more than 19 PJ of heat to residential, institutional and commercial customers and produced more than 3.3 TWh of net electricity, confirming its position of a major heat supplier and power producer. As an important provider of ancillary services, EPIF Group significantly contributed to the transmissions network’s stability in the Czech Republic and Hungary. Heat Infra companies continued with major investment projects leading to higher production efficiency, reduced environmental impact of its operations and enhanced reliability of supplies. The key investment projects included a replacement of the major cogeneration steam turbine in the heating plant in Opatovice and Labem and a reconstruction of the main heat feeding line to Litvínov. Our energy mix in the following years will be shaped by our current investments in refurbishments of existing boilers to enable partial or full biomass combustion, specifically in our heating plants in Plzeň and Komořany where the projects already commenced. This will complement the already existing biomass unit and a waste incinerator plant operated by Plzeňská teplárenská. By gradual transition towards fuels with lower carbon footprint such as biomass, communal waste or natural gas, we aim to actively contribute to the ongoing energy transition and decarbonization in Europe.

The group companies operating in the Gas storage segment significantly benefited from the rising storage price in the region. Price increase was mainly driven by the fact that gas storage facilities were unusually stocked after the warm winter in 2019/2020. In general, we keep holding our position as the major player in the Central European region, making every endeavour to further strengthen our role. The overall storage capacity is more than 62 TWh and includes assets in strategic regions connected to key gas routes. In addition to its traditional assets in Slovakia, EPIF operated storage facilities in South-Eastern Bavaria acquired at the end of 2018 with capacity of almost 20 TWh. These are currently contracted to a major extent until 2027 on a store-or-pay basis. In 2020, we also continued to invest in the operational security, storage technology modernisation, automation enhancement and utilisation of collected information to further optimise processes.

Stable performance in 2020 despite the pandemic proved the quality of assets being operated, most of which are regulated and contracted on a long-term basis. Majority of our 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. Consolidated Adjusted EBITDA1 for 2020 was EUR 1 526 million, which is a 5% decline as compared to last year, when we achieved exceptional results. At the same time, we recorded the similar decline in Adjusted Free Cash Flow2 to EUR 1 046 million, which confirms that thanks to the high-quality structure of assets and highly efficient operational management, EPIF shows the above-average rate of converting operating profits into free cash flows. Owing to this and other positive factors, in 2020, the EPIF Group's investment ratings previously awarded by renowned rating agencies Moody's Deutschland GmbH, Fitch Ratings Ireland Limited and S&P Global Ratings Europe Limited were all affirmed. Further, on 22 February 2021, S&P Global Ratings Europe Limited already affirmed our rating at BBB with outlook stable.

In the last quarter of 2020, the EPIF Group disposed two entities in the Heat Infra segment – Pražská teplárenská a.s., a major heat distributor in Prague, and Budapesti Erőmű Zrt., a key producer of heat in Budapest. These entities together accounted for approximately 5% of total EPIF Group Adjusted EBITDA. As a result of the divestments, the overall carbon footprint of the EPIF Group declined substantially in line with our long-term goals, being accompanied by projects implemented at our existing heating plants as described earlier.

Acknowledging the impact of its operations on communities and other stakeholders, EPIF also issued its second sustainability report during 2020 enabling readers to get a better understanding of our approach to environmental, social and governance matters. For the first time, the report was fully aligned with UN's Global Development Goals and the 2030 Agenda. In addition, in April 2020 EPIF obtained its debut ESG rating from S&P Global Ratings Europe Limited, where we scored 65 out of 100 points.

To conclude, I would like to express my honest thanks to our employees, investors and partners who have been participating in the realisation of our strategy and cooperating with us, thus supporting us to fulfil our main business objective, which is to ensure a safe, reliable and profitable operation of the energy infrastructure for prices favourable to our customers. We owe our success to all of you.

Daniel Křetínský
Chairman of the Board of Directors

1 Adjusted EBITDA represents operating profit plus depreciation of property, plant and equipment and amortisation of intangible assets less negative goodwill (if applicable), adjusted by (a) excluding non-cash non-recurring impairment charge relating to property, plant and equipment and intangible assets (2020: EUR 2 million; 2019: EUR -45 million), (b) excluding other non-cash one-off gains (2020: EUR 4 million; 2019: EUR 0 million) and (c) adding back the difference between (i) compensation for the expenses for mandatory purchase and off-take of energy from renewable sources pursuant to the Slovak RES Promotion Act and the Decree recognised in revenues in the relevant period and (ii) net expenses accounted for the mandatory purchase of energy from renewable resources in accordance with the Slovak RES Promotion Act, in each case inclusive of accruals (2020: EUR 90 million; 2019: EUR 50 million).

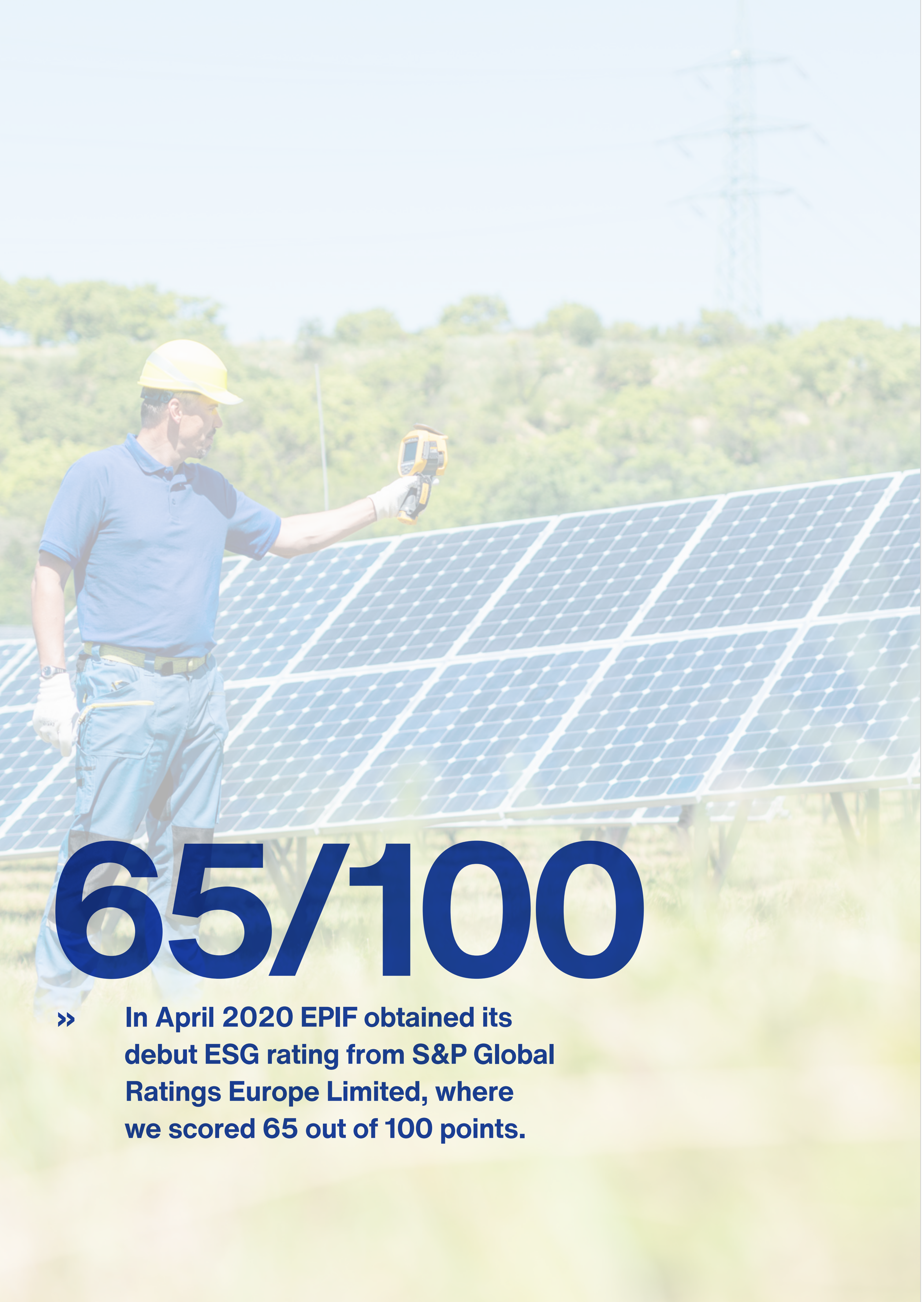
Slovak RES Promotion Act means Slovak Act No. 309/2009 Coll., on promotion of renewable energy sources and high-efficiency cogeneration and on amendments to certain acts (zákon o podpore obnoviteľných zdrojov energie a vysoko účinnej kombinovanej výroby a o zmene a doplnení niektorých zákonov).

Decree means the Slovak Decree of the Regulator No. 18/2017 Coll. (or any other applicable decree or law replacing it).

Reconciliation is as follows:

Key Metrics	Gas Transmission	Gas and Power Distribution	Heat Infra	Gas Storage	Total segments (in EUR millions)	Other	Holding entities	Intersegment-eliminations	Consolidated financial information
2020									
Profit from operations	548	371	64	187	1,170	1	(9)	-	**1,162**
Depreciation and amortisation	130	220	76	31	457	3	-	-	**460**
EBITDA	**678**	**591**	**140**	**218**	**1,627**	**4**	**(9)**	**-**	**1,622**
Non-cash non-recurring impairments of assets	-	-	-	(4)	(4)	2	-	-	**(2)**
Other non-cash non-recurring items	-	-	(4)	-	(4)	-	-	-	**(4)**
System Operation Tariff (surplus) / deficit	-	(90)	-	-	(90)	-	-	-	**(90)**
Adjusted EBITDA	**678**	**501**	**136**	**214**	**1,529**	**6**	**(9)**	**-**	**1,526**
2019									
Profit from operations	606	368	93	146	1,213	1	(6)	-	**1,208**
Depreciation and amortisation	130	159	82	29	400	3	-	-	**403**
EBITDA	**736**	**527**	**175**	**175**	**1,613**	**4**	**(6)**	**-**	**1,611**
Non-cash non-recurring impairments of assets	1	39	-	5	45	-	-	-	**45**
System Operation Tariff (surplus) / deficit	-	(50)	-	-	(50)	-	-	-	**(50)**
Adjusted EBITDA	**737**	**516**	**175**	**180**	**1,608**	**4**	**(6)**	**-**	**1,606**

2 Adjusted Free Cash Flow represents Cash generated from operations, disregarding Change in restricted cash, less Income tax paid, Acquisition of property, plant and equipment and intangible assets and Purchase of emission rights as presented in the consolidated statement of cash flows of the Group, excluding the cash impact of the purchases of energy from renewable energy sources and the subsequent compensation pursuant to the Slovak RES Promotion Act (so called "SOT") (2020: EUR 129 million; 2019: EUR 10 million).



Independent Auditor's Report to the Consolidated Annual Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EP Infrastructure, a.s.

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

Opinion

We have audited the accompanying consolidated financial statements of EP Infrastructure 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, Regulation (EU) No. 537/2014 of the European Parliament and the Council 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Remeasurement of assets to fair value	
Revaluation model is used for a specific class of assets – gas transmission (Eustream component) and gas distribution (SPP ditribucia component) pipelines where a complex model of establishing fair value is used for each class of assets. As at 1 January 2020, gas distribution pipelines were remeasured for the first time and revaluation surplus was credited to the revaluation reserve as noted in Note 3a. Similarly, transmission pipelines were remeasured in the comparative period. The fair value was determined as a complex judgement of management based on the independent expert report. Further subsequent measurement included accumulated depreciation as of the balance sheet date. The complexity of the judgement involved in the remeasurement and its material impact on the financial statements are the reasons for this being a key audit matter.	- We have obtained understanding of the design and implementation of relevant controls. - We assessed the methods of valuation of the gas distribution pipelines. - We have checked the independence of the management expert who prepared the expert valuation report. - We evaluated the methods and assumptions used by the management expert when determining the fair value of the assets and conducted a review of the average prices used for the calculation of the fair value. - We examined the approach used by the expert to determine the residual useful life of the assets. - We checked the mathematical accuracy of the calculation of the fair value of the assets. - We evaluated presentation and disclosures of the remeasurement in the financial statements and its compliance with IFRS requirements.
Revenue recognition of accrued energy delivery	
The group recognized revenues from energy distribution as stated in Note 7. Material part of these revenues for energy delivered to customers is estimated at the year end, because the metering period for customers is different. Meter reading and invoicing is performed after the year end. These revenues make a significant part of total annual revenues and are subject to a complex judgement in this area, which is the reason for this being a key audit matter.	- We have obtained understanding of the design and implementation of relevant controls over the determination of the amounts of energy not yet invoiced. - Testing the accuracy of a sample of data on which estimate is made, including reconciliation of input parameters to underlying documentation. - Testing whether the assumptions used are appropriate given the measurement objective and analytical testing of the balance accrued. - Assessment of the Group's revenue recognition policy for compliance with IFRS. - Assessment whether the Group's revenue recognition-related disclosures in the consolidated financial statements describe the relevant quantitative and qualitative information required by IFRS.
Valuation of energy fixed assets	
The group business is based on major energy fixed assets (pipes, storages, plants) that are depreciated over estimated useful life determined by the management judgement derived from trends in industry and its macroeconomic outlook and political directions which affect its valuation. The group makes an assessment whether the carrying amount of fixed assets including goodwill is impaired by calculating the present value of future cash flows arising from the Group's operations as noted in Note 3i and Note 17. An impairment test of these assets requires determining the estimates of the following key calculation inputs: - Future cash flows of each cash-generating unit. - The discount rate specific to the assets owned by the Group. - The weighted cost of capital. The above assumptions require management to make highly-subjective judgements regarding long-term periods. The complexity of judgement involved in the valuation is the reason for this being a key audit matter.	- Our audit procedures included assessment of the appropriateness of the valuation method and testing of the measurement of carrying amounts. - Our procedures also included inquiries of the management concerning year-on-year changes in the fixed assets book values. - We evaluated the appropriateness of management's identification of the Group's CGUs. - We obtained an understanding of the budget preparation and impairment assessment process, including indicators of impairment. - We used the work of an internal specialist for the assessment of asset impairment testing models prepared by management, their assumptions and the reliability of these assumptions and recalculation.

Other Matter

The consolidated financial statements of EP Infrastructure, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 8 April 2020.

Other Information in the Consolidated Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 5 March 2020 and our uninterrupted engagement has lasted for 1 year.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 29 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements included in the consolidated annual report with the provisions of the Commission Delegated Regulation (EU) 2019/815 on the European Single Reporting Format that apply to the financial statements (the "ESEF Regulation").

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal control relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the consolidated annual report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

Auditor's Responsibilities

Our task is to express a conclusion whether the financial statements included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal control relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether:

- The financial statements included in the consolidated annual report were prepared in the valid XHTML format;
- The disclosures in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
  - XBRL mark-up language was used;
  - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
  - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2020 included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 31 March 2021

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	David Batal registration no. 2147

Other Information

EXPECTED DEVELOPMENT OF THE EP INFRASTRUCTURE, A.S. GROUP („EPIF GROUP“ OR “GROUP”)

In 2021, the EPIF Group will continue the development of its activities across its core segments of gas transmission, gas and power distribution, heat infra and gas storage.

Due to the coronavirus (“COVID-19”) outbreak in 2020, the Czech Republic and Slovakia, like 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 EPIF Group operates, 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. These factors have resulted in a widespread deterioration in the economies of these countries.

From the very beginning of the COVID-19 outbreak, the EPIF 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 EPIF Group’s stakeholders, having two central objectives in mind: guaranteeing the health and safety of employees, which remains the EPIF Group’s top priority, and safeguarding the continuity of the essential energy security service in the countries where the EPIF 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.

In 2020, the EPIF Group’s operations have proven to be significantly resilient as the abovementioned COVID-19 impacts have had a limited adverse effect on the EPIF Group’s financial performance. The operational stability was primarily driven by the fact that the EPIF Group’s revenues largely depend on already 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.

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.

OTHER INFORMATION ABOUT SUBSEQUENT EVENTS THAT OCCURRED AFTER THE REPORTING DATE

Except the subsequent events described in the Note 36 of attached Financial statements for the year 2020, management is not aware of any additional subsequent events that occurred after reporting date to be disclosed.

MANAGEMENT

EPIF has a two-tier management structure consisting of its board of directors (the “Board of Directors”) and its supervisory board (the “Supervisory Board”). The Board of Directors represents EPIF in all matters and is charged with its day-to-day business management (together with the Senior Management), while the Supervisory Board is responsible for the supervision of the EPIF’s activities and of the Board of Directors in its management and resolves on matters defined in the Czech Corporations Act and the Articles of Association. The Supervisory Board does not make management decisions.

BOARD OF DIRECTORS

The Board of Directors has seven members. All members of the Board of Directors are executive. Members of the Board of Directors are elected by the EPIF’s general meeting of shareholders (the “General Meeting”) for a term of office of three years. Re-election of the members of the Board of Directors is permitted. The positions of the Chairman of the Board of Directors and the Chief Executive Officer are combined. Members of the Board of Directors are obliged to discharge the office with necessary loyalty as well as necessary knowledge and care and to bear full responsibility for such tasks, as required by the Czech Corporations Act.

The Board of Directors is the EPIF’s statutory body, which directs its operations and acts on its behalf. No-one is authorised to give the Board of Directors instructions regarding the business management of the EPIF, unless the Czech Corporations Act or other laws or regulations provide otherwise. The powers and responsibilities of the Board of Directors are set forth in detail in the Articles of Association. The Board of Directors meets regularly, usually once a month.

The Board of Directors constitutes a quorum if at least six directors are present at the meeting. In accordance with the EPIF’s articles of association, if a Board of Directors meeting fails to constitute a quorum, there shall be an adjourned meeting within one week after the original meeting (or on another date agreed by the Chairman and both Vice Chairmen), where the same quorum requirement will apply. If this first adjourned meeting also fails to constitute a quorum, there shall be a second adjourned meeting on or after the next business day following the first adjourned meeting, where the presence of at least four directors will constitute a quorum. Decisions of the Board of Directors are made by simple majority vote of all the members of the Board of Directors. Each member of the Board of Directors has one vote. With the consent of all members, per rollam voting is also allowed.

SUPERVISORY BOARD

The Supervisory Board has six members elected by the General Meeting. Members of the Supervisory Board are elected for a three year term and may be re-elected.

The Supervisory Board is responsible for the supervision of activities of EPIF and of the Board of Directors in its management of EPIF and resolves on matters defined in the Czech Corporations Act and the Articles of Association. The Supervisory Board’s powers include the power to inquire into all documents concerned with the activities of the EPIF, including inquiries into the EPIF’s financial matters, review of the financial statements and profit allocation proposals.

No-one is authorised to give the Supervisory Board instructions regarding their review of the Board of Directors in its management of EPIF. The Supervisory Board shall adhere to the principles and instructions as approved by the General Meeting of shareholders, provided these are in compliance with legal regulation and the Articles of Association.

The Supervisory Board constitutes a quorum if at least five members are present at the meeting. In accordance with the EPIF's articles of association, if a Supervisory Board meeting fails to constitute a quorum, there shall be an adjourned meeting within one week after the original meeting (or on another date agreed by the Chairman and the Vice Chairman), where the same quorum requirement will apply. If this first adjourned meeting also fails to constitute a quorum, there shall be a second adjourned meeting on or after the next business day following the first adjourned meeting, where the presence of at least four Supervisory Board members will constitute a quorum. Decisions of the Supervisory Board are made by simple majority vote of all Supervisory Board members. Each Supervisory Board member has one vote. With the consent of all members, per rollam voting is also allowed.

GENERAL MEETING

The shareholders have put in place a strong corporate governance regime that is implemented both in the EPIF's articles of association and in the EPIF Shareholders' Agreement, which, among other things, sets forth certain reserved matters requiring a qualified majority decision.

The General Meeting is the supreme body of the Company. Each shareholder has a right to attend and vote during the General Meeting. The competencies of the General Meeting are sets forth in the Articles of Association of the company.

EPIF Shareholders' Agreement sets forth certain corporate governance requirements and reserved matters that together regulate the exercise of control over EPIF. In relation to the direct and indirect shareholdings in EPIF and the management and the affairs of the Group (the "EPIF Shareholders' Agreement").

The EPIF Shareholders' Agreement covers in particular (i) corporate governance, whereas each shareholder may nominate one director for each 15 per cent. of the shareholding interest in EPIF; in this case EPIF Investments a.s., are entitled to nominate five candidates, including the chairman, for election to EPIF's seven member board of directors and (ii) standard minority shareholder's rights, for example by setting forth matters which are subject to approval by members of the relevant corporate body or which require higher majority approval under the applicable law.

BRANCHES

The EPIF Group has the following organizational units abroad:

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

ACQUISITION OF OWN SHARES OR OWN OWNERSHIP INTERESTS

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

RISK MANAGEMENT POLICIES

The EPIF Group's risk management policies are set out in the notes to the consolidated financial statements.

INFORMATION ON ENVIRONMENTAL PROTECTION ACTIVITIES

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

The EPIF Group activities are regulated by a number of environmental regulations in the Czech Republic, Slovakia, Germany and Hungary. These include regulations governing the discharge of pollutants, the handling of hazardous substances and their disposal, cleaning of contaminated sites and health and safety of employees. For example, the EPIF Group is subject to regulations imposing strict limits on emissions of CO_2, sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and solid dust particles emissions (SDP).

EPIF will continue to maintain its compliance with the environmental legislative requirements. In 2020, the Group continued to invest considerable amounts into the refurbishment of several plants.

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 of 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 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 also 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. NAFTAs 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 NAFTAs wells' safety systems and to replacing the "Christmas trees" on NAFTAs wells and other parts of NAFTAs 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 professionality 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 €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 are 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 for the production of 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.

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 funneled into a heating distribution network, thus capturing otherwise wasted energy, and delivered in the form of heat to our customers. This generation mode has much lower CO_2 emission intensity than a separate production of electric energy and heat. As a result, EPIF saves energy, avoids network losses and improves the security of Europe's internal energy supply.

Our services are not limited to the supply of and distribution of basic energy commodities but we also aim to educate our customers on energy savings and responsible behaviour with respect to energy. These efforts are manly 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.

EMPLOYMENT, SOCIAL RELATIONS AND RESPECT FOR HUMAN RIGHTS

The main strengths of the EPIF Group include good relationships with employees and their loyalty. The Group maintains good and fair relations with the trade unions within the Group companies 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 EPIF Group. Safety and quality management covers health protection at work, safety management systems, technology and human resources all of which are an integral part of the management of the EPIF Group.

EPIF Group upholds all principles of the United Nations Global Compact in respect of labour:

- The freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour;
- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation.

The management believes that the EPIF Group, its companies and equipment are in compliance 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 EPIF Group also provides general training programs on employee safety and when selecting or assessing potential suppliers the Group also takes into account their approach and attitude towards security issues.

EPIF employees are interested in overall EPIF 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.

ANTI-BRIBERY AND ANTI-CORRUPTION PROCEDURES

The EPIF Group has an anti-bribery and anti-corruption policy in place in order to ensure compliance with all applicable anti-bribery regulations, and to ensure the Group's business is conducted in a socially responsible manner. This policy applies to all employees and all the countries and territories that the EPIF Group operates in. EPIF also requires its business partners to abide by these high standards as well when engaged in business with the EPIF Group. To complement and reinforce these efforts, the EPIF Group also has a policy in place on reporting of serious concerns which provides employees with the means to report suspected or actual compliance violations without fear of retaliation.

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 with regard to financial reporting, which it periodically evaluates.

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.

RISK COMMITTEE

EPIF approaches the risk management with due diligence. Market, credit, operational and business risks are continuously identified and evaluated in terms of the probability of occurrence and extent of possible damage and reported to the internal Risk Management Committee. The Risk Committee is an advisory body to the Board of Directors. Existing risks are continuously monitored and updated. The committee's scope includes, in particular, discussing the Group's identified risks and approving their management strategy. The Committee also to regularly evaluates the overall risk situation of the Group. The aim of the risk management system is to protect the value of EPIF Group while taking on an acceptable level of risk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Throughout 2020, EPIF 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. On 8 April 2020, EPIF obtained 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, EPIF 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. EPIF 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. EPIF has already taken important steps in this direction by adding biomass to the energy mix – through acquisition of Plzeňská teplárenská at the end of 2018, where the share of biomass is expected to grow further under EPIF ownership. This will be complemented by refurbishment of an existing lignite boiler at United Energy to enable 100% biomass combustion. In 2020, we also reduced our carbon footprint by replacement of the main steam turbine at Elektrárny Opatovice which is more efficient and therefore less emission intensive.

Operating key infrastructure assets in Central Europe which represent a cornerstone of EPIF business, EPIF remains committed to contributing to energy security in the region 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 EPIF 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.

In Q4 2020, EPIF substantially reduced its direct and indirect carbon footprint through disposals of Pražská teplárenská a.s., a major heat supplier in the city of Prague, and Budapesti Erőmű Zrt., the key heat supplier and major power producer in the city of Budapest.

ESG POLICIES

In March 2020, a set of new ESG policies was approved by the Board of Directors and gradually implemented across the Group entities. These policies reflect our consciousness of immense responsibility for ESG issues. 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 are:

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

In 2021, these policies were complemented by

- EPIF Group Cybersecurity Principles
- KYC Directive
- EPIF Group Tax Governance Policy
- EPIF Anti-Corruption and Anti-Bribery Policy
- EPIF Anti Money Laundering Policy
- EPIF Sanctions Policy
- EPIF Anti-Trust Law Policy
- EPIF Whistleblower Policy
- EPIF Asset Integrity Policy
- EPIF Diversity Policy
- EPIF Biodiversity Policy

GENERAL DIVERSITY POLICY

The Equality, Diversity and Inclusion Policy was approved by the EPIF Board of Directors in March 2021 and is publicly available on the EPIF website. The main purpose of the policy is to provide equality, fairness and respect for all employees and avoid any forms of discrimination on the basis of employee's age, sex, disability, race, nationality, ethnicity, religion, personal beliefs or sexual orientation. The Policy embodies EPIF's commitment to encourage equality, diversity and inclusion among our workforce regardless of individual differences or background. The Policy applies to all employees, directors and members of statutory bodies and also all persons working on a contract basis. The EPIF Group subsidiaries are required to implement the Policy principles in their local policies within a designated time frame. EPIF recognizes that there is strength in the diversity of its Employees and harnessing these can assist it to improve the workplace, as well as enhancing its overall performance and decision-making.

EPIF does not apply designated diversity policy applicable to appointment of members of the Company's upper management and management is appointed based on their professional merit however the principles of general diversity policy are respected.

CODE OF CONDUCT

The Code of Conduct of the EPIF Group was approved by the EPIF Board of Directors in March 2020 and is publicly available on the EPIF website. It defines standards of behaviour, managed as a practical value for day-to-day business and making all employees personally responsible for the performance and reputation of the Group, ensuring a good relationship with all stakeholders. Besides commitment to comply with all binding legal regulations, EPIF shall adhere to conducting its business activities in a responsible and fair manner and communicate transparently with its customers, business partners, suppliers and communities. Following approval at EPIF level, the Code was subsequently implemented across EPIF Group subsidiaries which fully reflected its principles in their local internal documents. In 2020, there were no reported breaches of the Code of Conduct.

SUSTAINABILITY REPORT

At the end of August 2020, EPIF issued its second Sustainability report covering year 2019. For the first time, it incorporates EPIF's alignment with the United Nations Sustainable Development Goals and the 2030 Agenda. Sustainability report for year 2020 is planned to be issued during Q2 2021. The report covers a wide spectrum of economic, environmental, social and governance related topics and enables report users to obtain a comprehensive understanding of the EPIF Group's business and the links between EPIF's strategy and commitment to a sustainable global economy.

STATUTORY DECLARATION BY PERSON RESPONSIBLE FOR THE EPIF GROUP 2020 ANNUAL REPORT

With the use of all reasonable care, to the best of our knowledge the consolidated Annual Report provides in all material respects a true and accurate view and is not misleading in any material respects view of the financial situation, business activities, and results of operations of EPIF and its consolidated group for the year 2020 and of the outlook for the future development of the financial situation, business activities, and results of operations of EPIF and its consolidated group, and no facts have been omitted that could change the meaning of this report.

In Prague, on 31 March 2021

Daniel Křetínský
Chairman of the Board of Directors

Pavel Horský
Member of the Board of Directors

Report on relations

Report on relations

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

–

prepared by the board of directors of **EP Infrastructure, a.s.**, (“the Company”) with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, ID No: 024 13 507, in accordance with Section 82 (1) of the 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 Corporations Act (Act No. 90/2012 Coll., as amended).

The Report has been submitted for review to the Company’s supervisory board in accordance with Section 83 (1) of the Corporations Act (Act No. 90/2012 Coll., as amended) and the supervisory board’s position will be communicated to the Company’s general meeting deciding on the approval of the Company’s ordinary financial statements and on the distribution of the Company’s profit 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 EP Infrastructure, a.s. with its registered office at Pařížská 130/26, Josefov, 110 00, Praha 1, corporate ID: 024 13 507 recorded in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 21608.

DIRECTLY CONTROLLING ENTITIES

EPIF Investments, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Reg. No.: 05711452

INDIRECTLY CONTROLLING ENTITIES

Energetický a průmyslový holding, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Reg. No.: 28356250

EP Investment S.a r.l.
Registered office: 39, Avenue J.F. Kennedy, L – 1855, Luxembourg, Luxembourg
Reg. No.: B 184488

OTHER CONTROLLED ENTITIES

Entities controlled by the same controlling entities 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 in order to improve the entire group’s performance;
- managing, acquiring and treating the Company’s ownership interests and other assets.

METHOD AND MEANS OF CONTROL

The controlling entities hold a majority share of voting rights in EP Infrastructure, a.s. over which they exercise a controlling influence.

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

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

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

V. AGREEMENTS CONCLUDED BETWEEN EP INFRASTRUCTURE, A.S. AND OTHER RELATED ENTITIES

V. 1. 1. IN 2020, THE FOLLOWING LOAN AGREEMENTS WERE EFFECTIVE:

On 16 March 2016, a loan agreement, including valid amendments, was signed between EP Infrastructure, a.s. as the creditor and Slovak Gas Holding B.V. as the debtor.

On 19 June 2017, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

On 20 April 2018, a loan agreement, including valid amendments, was signed between EP Infrastructure, a.s as the creditor and EP Energy, a.s. as the debtor.

On 14 October 2019, a loan agreement, including valid amendments, was signed between EP Infrastructure, a.s. as the creditor and EP Energy, a.s. as the debtor.

On 18 October 2019, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EP Energy, a.s. as the debtor.

On 27 January 2020, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

On 13 February 2020, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and Czech Gas Holding Investment B.V. as the debtor.

On 28 May 2020, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and Claymore Equity, s.r.o. as the debtor.

On 3 November 2020, a loan agreement was signed between EP Energy, a.s. as the creditor and EP Infrastructure, a.s. as the debtor.

V. 1. 2. IN 2020, THE FOLLOWING OPERATING CONTRACTS WERE EFFECTIVE:

An agreement on providing professional assistance signed by and between AISE, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

An agreement on providing professional assistance signed by and between Alternative Energy, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

An agreement on providing professional assistance signed by and between ARISUN, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

An agreement on providing professional assistance signed by and between Budapesti Erőmű Zártkörűen Működő Részvénytársaság and EP Infrastructure, a.s. on 2 January 2018. This agreement was terminated on 31 October 2020.

An agreement on providing professional assistance, including valid amendments, signed by and between Elektrárny Opatovice, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on processing of personal data signed by and between Elektrárny Opatovice, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on providing professional assistance signed by and between Energetický a průmyslový holding, a.s. as the provider and EP Infrastructure, a.s. as the client on 2 January 2017.

An agreement on providing professional assistance signed by and between Energetický a průmyslový holding, a.s. as the client and EP Infrastructure, a.s. as the provider on 2 January 2018.

An agreement on providing professional assistance signed by and between EP Cargo a.s. and EP Infrastructure, a.s. on 26 October 2018.

An agreement on processing of personal data signed by and between EP Cargo a.s. and EP Infrastructure, a.s. on 26 October 2018.

An agreement on providing professional assistance signed by and between EP ENERGY TRADING, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on processing of personal data signed by and between EP ENERGY TRADING, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on providing professional assistance signed by and between EP Industries, a.s. as the provider and EP Infrastructure, a.s. as the client on 2 January 2018.

An agreement on providing professional assistance signed by and between EP Industries, a.s. as the client and EP Infrastructure, a.s. as the provider on 2 January 2018.

An agreement on providing professional assistance signed by and between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 2 January 2015, including all amendments.

A sublease agreement signed by and between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 15 June 2017, including all amendments.

An agreement on providing professional assistance signed by and between EP Power Europe, a.s. as the provider and EP Infrastructure, a.s. as the client on 2 January 2018.

An agreement on providing professional assistance signed by and between EP Power Europe, a.s. as the client and EP Infrastructure, a.s. as the provider on 2 January 2018.

An agreement on providing professional assistance signed by and between EP Slovakia B.V. and EP Infrastructure, a.s. on 3 April 2017.

An agreement on providing professional assistance signed by and between EP Sourcing, a.s. and EP Infrastructure, a.s. on 26 October 2018.

An agreement on processing of personal data signed by and between EP Sourcing, a.s. and EP Infrastructure, a.s. on 26 October 2018.

An agreement on providing professional assistance signed by and between Plzeňská teplárenská a.s. (as the legal successor of Plzeňská energetika, a.s.) and EP Infrastructure, a.s. on 1 October 2018.

An agreement on processing of personal data signed by and between Plzeňská teplárenská a.s. (as the legal successor of Plzeňská energetika, a.s.) and EP Infrastructure, a.s. on 1 October 2018.

An agreement on providing professional assistance signed by and between POZAGAS a.s. and EP Infrastructure, a.s. on 2 January 2019.

An agreement on processing of personal data signed by and between POZAGAS a.s. and EP Infrastructure, a.s. on 2 January 2019.

An agreement on providing professional assistance signed by and between POWERSUN a.s. and EP Infrastructure, a.s. on 2 January 2018.

An agreement on providing professional assistance signed by and between Pražská teplárenská a.s. and EP Infrastructure, a.s. on 1 October 2018. This agreement was terminated on 31 October 2020.

An agreement on processing of personal data signed by and between Pražská teplárenská a.s. and EP Infrastructure, a.s. on 28 January 2019. This agreement was terminated on 31 October 2020.

An agreement on providing professional assistance signed by and between Severočeská teplárenská, a.s., including valid amendments, and EP Infrastructure, a.s. on 1 October 2018.

An agreement on processing of personal data signed by and between Severočeská teplárenská, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on providing professional assistance signed by and between SPP Storage, s.r.o. and EP Infrastructure, a.s. on 2 January 2019.

An agreement on processing of personal data signed by and between SPP Storage, s.r.o. and EP Infrastructure, a.s. on 2 January 2019.

An agreement on providing professional assistance signed by and between TERMONTA PRAHA a.s. and EP Infrastructure, a.s. on 2 January 2018. This agreement was terminated on 31 October 2020.

An agreement on providing professional assistance signed by and between Triskata, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

An agreement on providing professional assistance, including valid amendments, signed by and between United Energy, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on processing of personal data signed by and between United Energy, a.s. and EP Infrastructure, a.s. on 1 October 2018.

An agreement on providing professional assistance signed by and between VTE Moldava II, a.s. and EP Infrastructure, a.s. on 2 January 2018.

An agreement on providing professional assistance signed by and between VTE Pchery, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

Order on providing professional assistance received by EP Infrastructure, a.s. from NAFTA, a.s., as the client, on 8 January 2019.

Order on providing professional assistance received by EP Infrastructure, a.s. from Stredoslovenská distribučná, a.s., as the client, on 19 February 2020.

V. 2. OTHER JURIDICAL ACTS MADE BETWEEN EP INFRASTRUCTURE, A.S. AND OTHER RELATED ENTITIES

Except for the above mentioned, no other agreements were entered into by and between EP Infrastructure, a.s. and related entities, and no supplies or considerations were provided between EP Infrastructure, a.s. and related entities.

EP Infrastructure, 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 EP INFRASTRUCTURE, A.S. VIS-À-VIS RELATED ENTITIES

The receivables and payables of EP Infrastructure, a.s. from/to related parties as at 31 December 2020 are disclosed in the notes to the financial statements of EP Infrastructure, a.s.

VI.

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

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

In addition, the board of directors of EP Infrastructure, a.s. declares that EP Infrastructure, a.s. incurred no damage as a result 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 or 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 EP Infrastructure, a.s.

In Prague, on 31 March 2021

Daniel Křetínský
Chairman of the Board of Directors

Pavel Horský
Member of the Board of Directors

Appendix
to the Report on Relations

Company	Country of incorporation
ABS PROPERTY LIMITED	Ireland
Adconcretum real estate Ltd.	Serbia
Aerodis, S.A.	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
Boldore a.s.	Czech Republic
Budapesti Erőmű Zrt.	Hungary
Central European Gas Hub AG	Austria
Centro Energia Ferrara S.p.A.	Italy
Centro Energia Teverola S.p.A.	Italy
Centrum pre vedu a výskum, s. r. o.	Slovakia
Claymore Equity, s. r. o.	Slovakia
CNG Holdings Netherlands B.V.	Netherlands
CNG LLC	Ukraine
CR-EP s.r.o.	Czech Republic
Czech Gas Holding Investment B.V	Netherlands
CZECH MEDIA INVEST a.s.	Czech Republic
DCR INVESTMENT a.s.	Czech Republic
Dynamo S.A.S.	France
Eastring B.V.	Netherlands
EC Investments a.s.	Czech Republic
Eggborough Power Ltd	Great Britain
Elektrárny Opatovice, a.s.	Czech Republic
Elektroenergetické montáže, s.r.o.	Slovakia
Energia-pro Zrt.	Hungary
ENERGOPROJEKTA plan s.r.o.	Czech Republic
Energotel,a.s.	Slovakia
ENERGZET SERVIS 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

Company	Country of incorporation
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. (EOP & HOKA s.r.o.)	Czech Republic
EP COAL TRADING POLSKA S.A.	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	Croatia
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
EP Fleet, k.s.	Czech Republic
EP France S.A.S. (Uniper France S.A.S.)	France
EP Germany GmbH	Germany
EP Hagibor a.s.	Czech Republic
EP Intermodal a.s.	Czech Republic
EP Invest Limited	Great Britain
EP Investment Advisors, s.r.o.	Czech Republic
EP Kilroot Limited	Great Britain
EP Langage Limited (Centrica 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 S.p.A.	Italy
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy
EP Properties, a.s.	Czech Republic
EP Resources AG	Switzerland
EP Resources CZ (EP Coal Trading, a.s.)	Czech Republic
EP Resources DE GmbH	Germany

Company	Country of incorporation
EP SHB Limited (Centrica 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 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
EPPE Germany a.s.	Czech Republic
EPR ASIA PTE. LTD.	Singapore
EPRE Reality s.r.o.	Czech Republic
Ergosud S.p.A.	Italy
eustream, a.s.	Slovakia
EVA Jänschwalde GmbH & Co. KG	Germany
EVA Verwaltungs GmbH	Germany
EVO – Komořany, a.s.	Czech Republic
Farma Lístek, s.r.o.	Czech Republic
Fernwärme GmbH Hohenmölsen – Webau	Germany
Fiume Santo S.p.A.	Italy
Fores Italia S.r.l.	Italy
Fusine Energia S.r.l.	Italy
GABIT spol. s r.o.	Czech Republic
GALA-MIBRAG-Service GmbH	Germany
GALANTATERM spol. s r.o.	Slovakia
Gazel Energie Generation S.A.S. (Uniper France Power S.A.S.)	France
Gazel Energie Renouvelables S.A.S. (Uniper Energies Renouvelables S.A.S.)	France
Gazel Energie Solaire S.A.S. (Uniper Climate & Renewables France Solar S.A.S.)	France
Gazel Energie Solutions S.A.S. (Uniper France Energy Solutions S.A.S.)	France
GEOTERM KOŠICE, a.s.	Slovakia
GMB GmbH	Germany

Company	Country of incorporation
Greeninvest Energy, a.s.	Czech Republic
Helmstedter Revier GmbH	Germany
HG1 s.r.o.	Czech Republic
HG5 s.r.o.	Czech Republic
Humberland Limited	Great Britain
Humbly Grove Energy Limited	Great Britain
Humbly Grove Energy Services Limited	Great Britain
CHIFFON ENTERPRISES LIMITED	Cyprus
Illico S.A.S.	France
Ingenieurbüro für Grundwasser GmbH	Germany
JTSD – Braunkohlebergbau GmbH	Germany
Kardašovská Properties a.s.	Czech Republic
Karotáž a cementace, s.r.o.	Czech Republic
Kernaman S.A.S.	France
Kinet Inštal s.r.o.	Slovakia
Kinet s.r.o.	Slovakia
KŐBÁNYAHŐ Kft.	Hungary
Kraftwerk Mehrum GmbH	Germany
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany
Kraftwerk Schkopau GbR	Germany
Kraftwerk Schwarze Pumpe GmbH	Germany
Lausitz Energie Bergbau AG	Germany
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany
Lausitz Energie Kraftwerke AG	Germany
Lausitz Energie PV Zschornewitz GmbH & Co. KG	Germany
Lausitz Energie Verwaltungs GmbH	Germany
Lausitz Energie Verwaltungsgesellschaft Brandenburg mbH	Germany
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany
LEAG Holding, a.s.	Czech Republic

Company	Country of incorporation
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
MACKAREL ENTERPRISES LIMITED	Cyprus
Majorelle Investments S.à r.l.	Luxembourg
Malešice Reality s.r.o.	Czech Republic
MIBRAG Profen GmbH	Germany
MIBRAG Consulting International GmbH	Germany
MIBRAG Neue Energie GmbH	Germany
MIBRAG Schleenhain GmbH	Germany
Mining Services and Engineering Sp. z o.o.	Poland
Mitteldeutsche Braunkohlen Gesellschaft mbH	Germany
MR TRUST s.r.o.	Czech Republic
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany
Nadácia EPH	Slovakia
NADURENE 2 a.s.	Czech Republic
NAFTA a.s.	Slovakia
NAFTA a.s. (pozn: own shares in Nafta 1,49%)	Slovakia
NAFTA Bavaria GmbH	Germany
Nafta Exploration d.o.o.	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
Nová Invalidovna, a.s.	Czech Republic
Nové Modřany, a.s.	Czech Republic
NPTH,a.s. v likvidaci	Czech Republic
Ogen s.r.o.	Czech Republic
Ochrana a bezpečnosť SE, s.r.o.	Slovakia
Patamon a.s.	Czech Republic

Company	Country of incorporation
Plynárenská metrológia, s. r. o.	Slovakia
Plzeňská teplárenská SERVIS IN a.s	Czech Republic
Plzeňská teplárenská, a.s.	Czech Republic
Plzeňská teplárenská, AUTODOPRAVA s.r.o.	Czech Republic
Plzeňské služby facility s.r.o.	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 a.s.	Czech Republic
Pražská teplárenská Holding a.s. v likvidaci	Czech Republic
Przedsiębiorstwo Górnicze Silesia	Poland
PT Distribuční, s.r.o.	Czech Republic
PT Koncept, a.s.	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 Properties IV, a.s.	Czech Republic
PT Real Estate, a.s.	Czech Republic
PT Transit, a.s.	Czech Republic
PT-Holding Investment B.V.	Netherlands
RAILSPED, s.r.o.	Czech Republic
REAKTORTEST, s.r.o.	Slovakia
RM LINES, a.s.	Czech Republic
RPC, a.s.	Czech Republic
RVA Consulting Engineers Ltd	Great Britain
RVA Engineering Solutions Ltd	Great Britain
RVA Group GmbH	Germany
RVA Group Ltd	Great Britain
Saale Energie GmbH	Germany
SAJDOK a.s.	Czech Republic
SE Služby inžinierskych stavieb, s. r. o.	Slovakia
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
Slovak Power Holding B.V.	Netherlands
Slovakian Horizon Energy, s.r.o.	Slovakia
Slovenské elektrárne – energetické služby, s.r.o.	Slovakia

Company	Country of incorporation
Slovenské elektrárne Czech Republic, s.r.o.	Czech Republic
Slovenské elektrárne, a.s.	Slovakia
SLOVGEOTERM a.s.	Slovakia
SLUGGERIA, a.s.	Czech Republic
Société des Eaux de l'Est S.A.	France
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
SPX, 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
Střelničná reality, a.s.	Czech Republic
Surschiste, S.A.	France
Tagebau Profen GmbH & Co. KG	Germany
Tagebau Schleenhain GmbH & Co. KG	Germany
Teplo Neratovice, spol. s r.o.	Czech Republic
TERMONTA PRAHA a.s.	Czech Republic
Terrakomp GmbH	Germany
Transport- und Speditionsgesellschaft Schwarze Pumpe mbH (TSS GmbH)	Germany
Triskata, s.r.o.	Slovakia
Tynagh Energy Limited	Ireland
ÚJV Řež, a. s.	Czech Republic
United Energy, a.s.	Czech Republic
United Energy Invest, a.s.	Czech Republic
United Energy Moldova, s.r.o.	Czech Republic
V A H O s.r.o.	Czech Republic
VESA EQUITY INVESTMENT S.à r.l.	Luxembourg
VTE Moldava II, a.s.	Czech Republic

Company	Country of incorporation
VTE Pchery, s.r.o.	Czech Republic
Windpark Breunsdorf I GmbH (Zukunft VIII GmbH)	Germany
Windpark Profen II GmbH (Zukunft IX GmbH)	Germany
Wohnwert Hohenmölsen GmbH (Zukunft X GmbH)	Germany
WOOGEL LIMITED	Cyprus
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 Financial Statements and Notes to the Consolidated Financial Statements

EP Infrastructure

Consolidated Financial Statements

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 period from 1 January to 31 December 2020 and 2019
In millions of EUR ("MEUR")

	Note	2020	2019
Sales	7	3,187	3,467
Gain (loss) from commodity derivatives for trading with electricity and gas, net		8	9
Total sales		**3,195**	**3,476**
Cost of sales	8	(1,217)	(1,503)
Cost of sales		**(1,217)**	**(1,503)**
Subtotal		**1,978**	**1,973**
Personnel expenses	9	(239)	(240)
Depreciation and amortization	16, 17	(460)	(403)
Repairs and maintenance		(18)	(15)
Emission rights, net	10	(72)	(41)
Taxes and charges	11	(9)	(9)
Other operating income	12	59	56
Other operating expenses	13	(112)	(149)
Own work, capitalized		35	36
Profit/(loss) from operations		**1,162**	**1,208**
Finance income	14	5	20
Finance expense	14	(154)	(140)
Profit/(loss) from financial instruments	14	(39)	(4)
Net finance expense		**(188)**	**(124)**
Share of profit of equity accounted investees, net of tax		1	1
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	6	784	-
Profit/(loss) before income tax		**1,759**	**1,085**
Income tax expenses	15	(265)	(295)
Profit (loss) for the year		**1,494**	**790**

	Note	2020	2019
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	3(a)	1,315	1,615
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations, net of tax	15	70	(43)
Foreign currency translation differences from presentation currency	15	(52)	28
Effective portion of changes in fair value of cash-flow hedges	15	(22)	(37)
Other comprehensive income for the year, net of tax		**1,311**	**1,563**
Total comprehensive income for the year		**2,805**	**2,353**
Profit/(loss) attributable to:			
Owners of the Company		1,111	401
Non-controlling interest	24	383	389
Profit/(loss) for the year from continuing operations		**1,494**	**790**
Total comprehensive income attributable to:			
Owners of the Company		1,787	1,123
Non-controlling interest		1,018	1,230
Total comprehensive income for the year		**2,805**	**2,353**
Earnings per share in EUR	23	3.44	1.24

The notes presented on pages 60 to 187 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
Assets			
Property, plant and equipment	16	10,047	8,791
Intangible assets	17	103	132
Goodwill	17	99	102
Equity accounted investees		3	3
Restricted cash		2	1
Financial instruments and other financial assets	28	38	15
Trade receivables and other assets	20	31	39
Prepayments and other deferrals		3	2
Deferred tax assets	18	17	17
Total non-current assets		**10,343**	**9,102**
Inventories	19	184	202
Financial instruments and other financial assets	28	38	70
Trade receivables and other assets	20	330	428
Contract assets	7	54	59
Prepayments and other deferrals		10	10
Current income tax receivable		2	11
Cash and cash equivalents	21	709	674
Restricted cash		1	3
Total current assets		**1,328**	**1,457**
Total assets		**11,671**	**10,559**
Equity			
Share capital	22	2,988	2,988
Share premium		8	8
Reserves	22	(2,571)	(3,226)
Retained earnings		644	641
Total equity attributable to equity holders		**1,069**	**411**
Non-controlling interest	24	3,012	2,371
Total equity		**4,081**	**2,782**

	Note	2020	2019
Liabilities			
Loans and borrowings	25	3,926	4,105
Financial instruments and financial liabilities	28	134	161
Provisions	26	247	239
Deferred income	27	85	88
Contract liabilities	7	115	105
Deferred tax liabilities	18	1,831	1,478
Trade payables and other liabilities	29	4	7
Total non-current liabilities		**6,342**	**6,183**
Trade payables and other liabilities	29	320	373
Contract liabilities	7	70	62
Loans and borrowings	25	616	902
Financial instruments and financial liabilities	28	97	44
Provisions	26	73	83
Deferred income	27	24	25
Current income tax liability	15	48	105
Total current liabilities		**1,248**	**1,594**
Total liabilities		**7,590**	**7,777**
Total equity and liabilities		**11,671**	**10,559**

The notes presented on pages 60 to 187 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")

	Note	Share capital	Share premium	Non-distributable reserve	Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
Balance at 1 January 2020 (A)		**2,988**	**8**	**1**	**(87)**	**774**	**(3,814)**	**(100)**	**641**	**411**	**2,371**	**2,782**
Total comprehensive income for the year:												
Profit or loss (B)		-	-	-	-	-	-	-	1,111	**1,111**	383	**1,494**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	15	-	-	-	17	-	-	-	-	**17**	53	**70**
Foreign currency translation differences from presentation currency	15	-	-	-	8	-	-	-	-	**8**	(60)	**(52)**
Fair value reserve included in other comprehensive income, net of tax	3(a)	-	-	-	-	643	-	-		**643**	672	**1,315**
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	-	-	-	-	-	-	8	-	**8**	(30)	**(22)**
Total other comprehensive income (C)		**-**	**-**	**-**	**25**	**643**	**-**	**8**	**-**	**676**	**635**	**1,311**
Total comprehensive income for the year (D) = (B + C)		**-**	**-**	**-**	**25**	**643**	**-**	**8**	**1,111**	**1,787**	**1,018**	**2,805**
Contributions by and distributions to owners:												
Transfer from non-distributable reserves		-	-	-	-	(40)	-	-	40	**-**	-	**-**
Dividends to equity holders	22	-	-	-	-	-	-	-	(1,128)	**(1,128)**	(374)	**(1,502)**
Total contributions by and distributions to owners (E)		**-**	**-**	**-**	**-**	**(40)**	**-**	**-**	**(1,088)**	**(1,128)**	**(374)**	**(1,502)**
Changes in ownership interests in subsidiaries that do not result in loss of control:												
Effect of changes in shareholdings on non-controlling interests	6	-	-	-	-	-	-	-	(1)	**(1)**	-	**(1)**
Effect of disposed entities	6	-	-	-	29	-	-	(10)	(19)	**-**	(4)	**(4)**
Effect of acquisitions through business combinations	6	-	-	-	-	-	-	-	-	**-**	1	**1**
Total changes in ownership interests in subsidiaries (F)		**-**	**-**	**-**	**29**	**-**	**-**	**(10)**	**(20)**	**(1)**	**(3)**	**(4)**
Total transactions with owners (G) = (E + F)		**-**	**-**	**-**	**29**	**(40)**	**-**	**(10)**	**(1,108)**	**(1,129)**	**(377)**	**(1,506)**
Balance at 31 December 2020 (H) = (A + D + G)		**2,988**	**8**	**1**	**(33)**	**1,377**	**(3,814)**	**(102)**	**644**	**1,069**	**3,012**	**4,081**

The notes presented on pages 60 to 187 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

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

		Share capital	Share premium	Non-distributable reserve	Translation reserve	Revaluation reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
Balance at 1 January 2019 (A)		**2,988**	**8**	**1**	**(71)**	**(1)**	**(3,814)**	**(47)**	**675**	**(261)**	**1,495**	**1,234**
Adjustment on initial application of IFRS 16 (net of tax)		-	-	-	-	-	-	-	(1)	**(1)**	-	**(1)**
Adjusted balance at the beginning of the period		**2,988**	**8**	**1**	**(71)**	**(1)**	**(3,814)**	**(47)**	**674**	**(262)**	**1,495**	**1,233**
Total comprehensive income for the year:												
Profit or loss (B)		-	-	-	-	-	-	-	401	**401**	389	**790**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	15, 22	-	-	-	(18)	-	-	-	-	**(18)**	(25)	**(43)**
Foreign currency translation differences from presentation currency	15, 22	-	-	-	2	-	-	-	-	**2**	26	**28**
Fair value reserve included in other comprehensive income, net of tax	15, 22	-	-	-	-	791	-	-	-	**791**	824	**1,615**
Effective portion of changes in fair value of cash-flow hedges, net of tax	15, 22	-	-	-	-	-	-	(53)	-	**(53)**	16	**(37)**
Total other comprehensive income (C)		**-**	**-**	**-**	**(16)**	**791**	**-**	**(53)**	**-**	**722**	**841**	**1,563**
Total comprehensive income for the year (D) = (B + C)		**-**	**-**	**-**	**(16)**	**791**	**-**	**(53)**	**401**	**1,123**	**1,230**	**2,353**
Contributions by and distributions to owners:												
Transfer to non-distributable reserves		-	-	-	-	(16)	-	-	16	**-**	-	**-**
Dividends to equity holders	23	-	-	-	-	-		-	(450)	**(450)**	(354)	**(804)**
Total contributions by and distributions to owners (E)		**-**	**-**	**-**	**-**	**(16)**	**-**	**-**	**(434)**	**(450)**	**(354)**	**(804)**
Changes in ownership interests in subsidiaries:												
Effect of changes in shareholdings on non-controlling interests		-	-	-	-	-	-	-	-	**-**	-	**-**
Effect of acquisitions through business combinations		-	-	-	-	-	-	-	-	**-**	-	**-**
Total changes in ownership interests in subsidiaries (F)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners (G) = (E + F)		**-**	**-**	**-**	**-**	**(16)**	**-**	**-**	**(434)**	**(450)**	**(354)**	**(804)**
Balance at 31 December 2019 (H) = (A + D + G)		**2,988**	**8**	**1**	**(87)**	**774**	**(3,814)**	**(100)**	**641**	**411**	**2,371**	**2,782**

The notes presented on pages 60 to 187 form an integral part of these consolidated financial statements.

Consolidated statement of cash flow

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

	Note	2020	2019
OPERATING ACTIVITIES			
Profit (loss) for the period		1,494	790
Adjustments for:			
Income taxes	15	265	295
Depreciation and amortization	16, 17	460	403
Dividend income	14	(3)	(2)
Impairment losses on property, plant and equipment and intangible assets	13	(2)	45
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net		(2)	(9)
Gain / Loss on disposal of property, plant and equipment, investment property and intangible assets	12	2	(1)
Emission rights	10	72	41
Share of profit of equity accounted investees		(1)	(1)
Gain on disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interests		(784)	-
Gain / Loss on financial instruments	14	39	4
Interest expense, net	14	111	134
Change in allowance for impairment to trade receivables and other assets, write-offs	13	(1)	3
Change in provisions		(3)	(10)
Other finance fees, net	14	14	4
Other non-cash transactions		9	-
Unrealized foreign exchange gains/(losses), net		17	(22)
Operating profit before changes in working capital		**1,687**	**1,674**
Change in trade receivables and other assets		(2)	(79)
Change in inventories		8	(2)
Change in trade payables and other liabilities		126	26
Change in restricted cash		(3)	1
Cash generated from (used in) operations		**1,816**	**1,620**
Interest paid		(131)	(128)
Income taxes paid		(382)	(228)
Cash flows generated from (used in) operating activities		**1,303**	**1,264**

	Note	2020	2019
INVESTING ACTIVITIES			
Received dividends		3	2
Loans provided to the other entities		(30)	(3)
Proceeds (outflows) from sale (settlement) of financial instruments		15	5
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17	(209)	(220)
Purchase of emission rights	**17**	(53)	(54)
Proceeds from sale of emission rights		2	7
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		-	3
Acquisition of associates and joint ventures	6	-	(1)
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	1	-
Net cash inflow from disposal of subsidiaries and special purpose entities		965	-
Increase in participation in existing subsidiaries, special purpose entities, joint-ventures and associates.	6	(1)	-
Interest received		1	-
Cash flows from (used in) investing activities		**694**	**(261)**
FINANCING ACTIVITIES			
Proceeds from loans received	25	807	1,056
Repayment of borrowings	25	(996)	(1,612)
Proceeds from bonds issued	25	500	1,170
Repayment of bonds issued	**25**	(750)	(499)
Finance fees paid from repayment of borrowings and bond issue		(4)	(13)
Payment of lease liability	31	(14)	(13)
Loans provided to non-controlling shareholders as a prepayment for a dividend		(270)	(340)
Dividends paid		(1,234)	(494)
Cash flows from (used in) financing activities		**(1,961)**	**(745)**
Net increase (decrease) in cash and cash equivalents		36	258
Cash and cash equivalents at beginning of the year		**674**	**416**
Effect of exchange rate fluctuations on cash held		(1)	-
Cash and cash equivalents at end of the year		**709**	**674**

The notes presented on pages 60 to 187 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background

EEP Infrastructure, a.s. (the “Parent Company” or the “Company” or “EPIF” or “infrastructure subholding”) is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded by Energetický a průmyslový holding, a.s. (“EPH”) on 6 December 2013 as at that time a subsidiary that will hold/consolidate investments in entities belonging to the energy segment of Energetický a průmyslový holding, a.s. and its subsidiaries (the “EPH Group”).

The infrastructure subholding was established to separate the strategic infrastructure energy assets from other business activities of the EPH Group.

The main activities of the EPIF Group are natural gas transmission, gas and power distribution and supply, gas storage and heat production and distribution.

The consolidated financial statements of the Company for the year ended 31 December 2020 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates and joint-ventures (together referred to as the “Group” or the “EPIF Group”). The Group entities are listed in Note 34 – Group entities.

The shareholders of the Company as at 31 December 2020 and 31 December 2019 were as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EPIF Investments a.s.	2,062	69.00	69.00
CEI INVESTMENTS S.a.r.l.	926	31.00	31.00
Total	**2,988**	**100.00**	**100.00**

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

- Daniel Křetínský (Chairman of the Board of Directors)
- Jiří Zrůst (Vice-chairman of the Board of Directors)
- Gary Wheatley Mazzotti (Vice-chairman of the Board of Directors)
- Stéphane Louis Brimont (Member of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský (Member of the Board of Directors)
- Milan Jalový (Member of the Board of Directors)

Information relating to the establishment of the parent company Energetický a průmyslový holding, a.s. and its shareholder structure was disclosed in the 2010 consolidated financial statements of Energetický a průmyslový holding, a.s. published on 20 May 2011.

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

Under Czech law the non-cash contribution to the share capital must be valued by an independent valuation specialist. The difference between the value contributed to the statutory share capital as determined by the independent valuation specialist and net book value (after potential fair value adjustments recorded during the Purchase Price Allocation process when acquired by EPH) of the contributed entity as at the date when acquired or contributed by the parent company was presented as a pricing difference in Other capital reserves in Equity, rather than a goodwill from acquisition under IFRS 3.

2. Basis of preparation

A STATEMENT OF COMPLIANCE

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

The consolidated financial statements were approved by the board of directors on 31 March 2021.

B BASIS OF MEASUREMENT

This is the first set of the Group’s financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 2(f) – Recently issued accounting standards.

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 at revalued amounts; Gas distribution pipelines at revalued amounts;
- 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 in 2020, the Czech Republic and Slovakia, like 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 EPIF Group operates, 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. These factors have resulted in a widespread deterioration in the economies of these countries.

In 2020, the EPIF Group's operations have proven to be significantly resilient as the abovementioned COVID-19 impacts have had a limited adverse effect on the EPIF Group's financial performance. The operational stability was primarily driven by the fact that the EPIF Group's revenues largely depend on already 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.

D FUNCTIONAL AND PRESENTATION CURRENCY

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

E USE OF ESTIMATES AND JUDGEMENTS

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

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

I. ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

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

- Notes 6, 16 and 17 – Accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of property, plant and equipment and goodwill;
- Note 7 – revenues;
- Note 16 – measurement of gas transmission and gas distribution pipelines at revalued amounts;
- Note 26 – Recognition and measurement of provisions;
- Notes 25, 28 and 32 – Valuation of loans and borrowings and financial instruments;
- Note 35 – Litigations.

MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

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

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

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

II. JUDGEMENTS

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

- Notes 6 and 17 – accounting for business combinations, recognition 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 24 – information relating to assessment of the control over the subsidiaries
- Note 26 – measurement of defined benefit obligations, recognition and measurement of provisions;

F RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

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

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

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

AMENDMENT TO IFRS 3 – DEFINITION OF A BUSINESS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

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

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

AMENDMENTS TO IAS 1 AND IAS 8 – DEFINITION OF MATERIAL (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

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

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

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7 – INTEREST RATE BENCHMARK REFORM (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

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

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

II. STANDARDS NOT YET EFFECTIVE

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

IFRS 17 INSURANCE CONTRACTS AND AMENDMENT TO IFRS 17 (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023 (NOT ADOPTED BY EU YET)), AND IFRS 4 – EXTENSION OF THE TEMPORARY EXEMPTION FROM APPLYING IFRS 9 (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021)

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

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

AMENDMENTS TO IAS 1 – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023 (NOT ADOPTED BY EU YET))

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

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

AMENDMENTS TO IFRS 3 – UPDATING A REFERENCE TO THE CONCEPTUAL FRAMEWORK; IAS 16 – PROCEEDS BEFORE INTENDED USE, IAS 37 – ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT AND ANNUAL IMPROVEMENTS 2018–2020 (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022 (NOT ADOPTED BY EU YET))

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

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

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

AMENDMENT TO IFRS 16 – COVID 19-RELATED RENT CONCESSIONS (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JULY 2020)

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

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

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 – INTEREST RATE BENCHMARK REFORM – PHASE 2 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021 (NOT ADOPTED BY EU YET))

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

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

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

3. Significant Accounting Policies

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

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

A CHANGE 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") based regulatory 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 per cent. of the market share and contributing 84 per cent. of SPPD's annual total revenue in 2020.

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 EPIF Group (incl. SPPD's fixed assets other than distribution pipeline assets) will be still 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:

- 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.

B BASIS OF CONSOLIDATION

I. SUBSIDIARIES

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

II. EQUITY ACCOUNTED INVESTEES

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

III. ACCOUNTING FOR BUSINESS COMBINATIONS

The Group acquired its subsidiaries in two ways:

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

ACQUISITION METHOD AND PURCHASE PRICE ALLOCATION

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

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

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

IV. NON-CONTROLLING INTERESTS

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

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

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

V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

VI. UNIFICATION OF ACCOUNTING POLICIES

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

VII. PRICING DIFFERENCES

The Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. or subsidiaries contributed to the share capital of the Company by Energetický a průmyslový holding, a.s. As these acquired or contributed entities were under common control of Energetický a průmyslový holding, a.s., they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the 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. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

VIII. DISPOSAL OF SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEES

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

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

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

C FOREIGN CURRENCY

I. FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 32 – Risk management policies and disclosures.

II. TRANSLATION TO PRESENTATION CURRENCY

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

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

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

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

D NON-DERIVATIVE FINANCIAL ASSETS

I. CLASSIFICATION

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

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

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

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

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

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

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

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

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

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

II. RECOGNITION

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

III. MEASUREMENT

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

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

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

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

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest rate method. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

IV. DE-RECOGNITION

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

V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

E NON-DERIVATIVE FINANCIAL LIABILITIES

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

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

F DERIVATIVE FINANCIAL INSTRUMENTS

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

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

TRADING DERIVATIVES

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

SEPARABLE EMBEDDED DERIVATIVES

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

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

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

CASH FLOW HEDGES AND FAIR VALUE HEDGES

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

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

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

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

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

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

TRANSACTIONS WITH EMISSION RIGHTS AND ENERGY

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

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

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

Contracts, which does not meet above mentioned conditions, fall under the scope of IFRS 9 and are accounted for in line with the requirements of IFRS 9.

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

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

G CASH AND CASH EQUIVALENTS

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

H INVENTORIES

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

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

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

I IMPAIRMENT

I. NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRESENTATION OF LOSS ALLOWANCES

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

III. EQUITY ACCOUNTED INVESTEES

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

J PROPERTY, PLANT AND EQUIPMENT

I. OWNED ASSETS – COST MODEL

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

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

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

II. OWNED ASSETS – REVALUATION MODEL

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

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

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

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

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

III. FREE-OF-CHARGE RECEIVED PROPERTY

Several items of gas and electricity equipment (typically connection terminals) were obtained “free of charge” from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability (before 1 January 2018 as deferred income) as receipt of the free of charge property is related to obligation to connect the customers to the grid. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

IV. SUBSEQUENT COSTS

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

V. DEPRECIATION

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

The estimated useful lives are as follows:

- Power plant buildings and structures — 50–100 years
- Buildings and structures — 20–50 years
- Gas pipelines — 30–70 years

- Machinery, electric generators, gas producers, turbines and drums — 20–30 years
- Distribution network — 10–30 years
- Machinery and equipment — 4–20 years
- Fixtures, fittings and others — 3–20 years

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

K INTANGIBLE ASSETS

I. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

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

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

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

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

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

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

II. RESEARCH AND DEVELOPMENT

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

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

In 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.

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

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

IMPAIRMENT OF EMISSION RIGHTS

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

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

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

RECOGNITION OF GRANTS

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

The release of deferred income to a profit and loss account is performed on a quarterly basis; any subsequent update to the estimate of total annual pollutants is taken into account during the following monthly or quarterly assessment. Any disposals of certificates or changes in their carrying amount do not affect the manner in which grant income is recognised.

RECOGNITION, MEASUREMENT OF PROVISION

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

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

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

IV. SOFTWARE AND OTHER INTANGIBLE ASSETS

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

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

V. AMORTISATION

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

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

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

L PROVISIONS

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

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

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

I. EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS

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

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

Pension plans

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

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

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

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

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

SHORT-TERM EMPLOYEE BENEFITS

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

II. PROVISION FOR LAWSUITS AND LITIGATIONS

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

III. PROVISION FOR EMISSION RIGHTS

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

IV. RESTRUCTURING

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

V. ASSET RETIREMENT OBLIGATION AND PROVISION FOR ENVIRONMENTAL REMEDIATION

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

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

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

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

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

Provisions are recognised for the following restoration activities:

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

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

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

VI. ONEROUS CONTRACTS

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

M LEASES

DEFINITION OF A LEASE

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

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

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

LESSOR ACCOUNTING

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

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

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

LEASE OF LAND OR LEASE OF LAND AND BUILDING

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

LESSEE ACCOUNTING

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

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

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

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of purchase, extension or termination option;
- in-substance fixed lease payments; or
- in the scope of a lease or consideration for a lease (lease modification) that is not accounted as a separate lease.

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

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

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

SERVICE PART OF A LEASE PAYMENT

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

LEASE TERM

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

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

SUBLEASING

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

RENEWAL OPTIONS

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

N REVENUE

I. REVENUES FROM CONTRACTS WITH CUSTOMERS

The Group applies a five-step model to determine when to recognise revenue, and at what amount. The 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.

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 derivatives for trading with electricity, gas, 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.

O GOVERNMENT GRANTS

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

P FINANCE INCOME AND COSTS

I. FINANCE INCOME

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

II. FINANCE COSTS

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

III. BORROWING COSTS

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

Q INCOME TAXES

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

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

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

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

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

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

R DIVIDENDS

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

S NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group's relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. 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.

T SEGMENT REPORTING

Due to the fact that the Group has issued debentures (Senior Secured Notes) which were listed on the Stock Exchange, 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.

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 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.

D NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets 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 held-to-maturity investments is determined for disclosure purposes only.

E NON-DERIVATIVE FINANCIAL LIABILITIES

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

F DERIVATIVES

The fair value of forward electricity and gas 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

The Group operates in four reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage and Heat Infra.

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 Gas transmission, Gas and power distribution, Gas storage and Heat Infra mainly based on nature of the services provided. For description of each segment see text below. Each reportable segment aggregates entities with similar economic characteristics (type of services provided, commodities involved and regulatory environment). Internal reports used by the EPIF's "chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance follow these reportable segments. Major indicators used by the Board of Directors to measure these segments' performance is operating profit before depreciation, amortization and negative goodwill ("EBITDA") and capital expenditures.

I. GAS TRANSMISSION

The 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 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 Group that always has 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 Asian 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.

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 includes any significant lease arrangement as per IFRS 16. 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 and the related shipping arrangements accounted for in accordance with IFRS 15.

II. 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 Holding, a.s. (further "SSE"), Stredoslovenská distribučná, a.s. (further "SSD"), SPP-distribúcia, a.s. (further "SPPD"), and EP ENERGY TRADING, a.s.

The subsidiary companies SPPD 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 regulatory framework where allowed revenues are based primarily on the Regulated Asset Base ("RAB") multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years (current regulatory period is 2017–2021 and is expected to be extended until 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 variable 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.

III. GAS STORAGE

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

The Group stores natural gas in two locations in the Czech Republic and Slovakia and three locations in Germany. 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.

IV. HEAT INFRA

The Heat Infra segment owns and operates three large-scale combined heat and power plants (CHPs) in the Czech Republic mainly operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s.. The heat generated in its co-generation power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin. EP Sourcing, a.s. (former EP Coal Trading, 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 Q4 2020.

V. OTHER

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

VI. HOLDING ENTITIES

The Holding entities mainly represent 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. and Czech Gas Holding Investment 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

	Gas trans-mission	Gas and power distribu-tion	Gas stor-age	Heat Infra	Total seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Sales: Energy	744	1,702	293	544	3,283	5	-	(147)	3,141
external revenues	*721*	*1,696*	*261*	*458*	*3,136*	*5*	-	-	*3,141*
of which: Gas	*721*	*580*	*261*	-	*1,562*	-	-	-	*1,562*
Electricity	-	*1,116*	-	*132*	*1,248*	*6*	-	-	*1,254*
Heat	-	-	-	*325*	*325*	-	-	-	*325*
inter-segment revenues	*23*	*6*	*32*	*86*	*147*	-	-	*(147)*	-
Sales: Logistics and freight servicies	-	-	-	18	18	-	-	-	18
external revenues	-	-	-	*18*	*18*	-	-	-	*18*
Inter-segment revenues	-	-	-	-	-	-	-	-	-
Sales: Other	-	7	-	16	23	6	-	(1)	28
external revenues	-	*7*	-	*16*	*23*	*5*	-	-	*28*
inter-segment revenues	-	-	-	-	-	*1*	-	*(1)*	-
Gain (loss) from commodity derivatives for trading with electricity and gas, net	-	8	-	-	8	-	-	-	8
Total sales	**744**	**1,717**	**293**	**578**	**3,332**	**11**	**-**	**(148)**	**3,195**
Cost of sales: Energy	(24)	(995)	(33)	(286)	(1,338)	-	-	148	(1,190)
external cost of sales	*(22)*	*(861)*	*(25)*	*(282)*	*(1,190)*	-	-	-	*(1,190)*
inter-segment cost of sales	*(2)*	*(134)*	*(8)*	*(4)*	*(148)*	-	-	*148*	-
Cost of sales: Other	-	(1)	1	(24)	(24)	(3)	-	-	(27)
external cost of sales	-	*(1)*	*1*	*(24)*	*(24)*	*(3)*	-	-	*(27)*
inter-segment cost of sales	-	-	-	-	-	-	-	-	-
Personnel expenses	(30)	(108)	(31)	(65)	(234)	(1)	(4)	-	(239)
Depreciation and amortisation	(130)	(220)	(31)	(76)	(457)	(3)	-	-	(460)
Repairs and maintenance	(1)	(4)	-	(13)	(18)	-	-	-	(18)
Emission rights, net	(2)	-	-	(70)	(72)	-	-	-	(72)
Taxes and charges	(1)	(1)	(2)	(4)	(8)	-	(1)	-	(9)
Other operating income	3	16	-	40	59	2	-	(2)	59
Other operating expenses	(14)	(54)	(10)	(27)	(105)	(5)	(4)	2	(112)
Own work, capitalized	3	21	-	11	35	-	-	-	35
Operating profit	**548**	**371**	**187**	**64**	**1,170**	**1**	**(9)**	**-**	**1,162**

	Gas trans-mission	Gas and power distribu-tion	Gas stor-age	Heat Infra	Total seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Finance income	1	3	2	1	7	-	*924	*(926)	5
external finance revenues	*1*	*2*	*1*	-	*4*	-	*1*	-	*5*
inter-segment finance revenues	-	*1*	*1*	*1*	*3*	-	**923*	**(926)*	-
Finance expense	(40)	(17)	(6)	21	(42)	-	(151)	39	(154)
Profit (loss) from derivative financial instruments	(7)	2	-	2	(3)	-	(40)	4	(39)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	1	-	-	1
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	79	79	-	705	-	784
Profit (loss) before income tax	**502**	**359**	**183**	**167**	**1,211**	**2**	***1,429**	***(883)**	**1,759**
Income tax expenses	(128)	(91)	(43)	(14)	(276)	-	11	-	(265)
Profit (loss) for the year	**374**	**268**	**140**	**153**	**935**	**2**	***1,440**	***(883)**	**1,494**

* EUR 883 million is attributable to intra-group dividends primarily recognised by Slovak Gas Holding B.V., Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.

Other financial information:									
EBITDA[(1)]	678	591	218	140	1,627	4	(9)	-	1,622

(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.

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of EUR

	Gas trans-mission	Gas and power distribu-tion	Gas stor-age	Heat Infra	Total seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Sales: Energy	826	1,880	253	653	3,612	6	-	(181)	3,437
external revenues	*794*	*1,862*	*222*	*554*	*3,432*	*5*	-	-	*3,437*
of which: Gas	*794*	*567*	*222*	-	*1,583*	-	-	-	*1,583*
Electricity	-	*1,295*	-	*137*	*1,432*	*5*	-	-	*1,437*
Heat	-	-	-	*391*	*391*	-	-	-	*391*
inter-segment revenues	*32*	*18*	*31*	*99*	*180*	*1*	-	*(181)*	-
Sales: Logistics and freight services	-	-	-	26	26	-	-	-	26
external revenues	-	-	-	*26*	*26*	-	-	-	*26*
inter-segment revenues	-	-	-	-	-	-	-	-	-
Sales: Other	-	7	-	17	24	6	-	-	30
external revenues	-	*7*	-	*17*	*24*	*6*	-	-	*30*
inter-segment revenues	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity derivatives for trading with electricity and gas, net	-	9	-	-	9	-	-	-	9
Total sales	**826**	**1,896**	**253**	**670**	**3,645**	**12**	**-**	**(181)**	**3,476**
Cost of sales: Energy	(48)	(1,207)	(29)	(371)	(1,655)	-	-	179	(1,476)
external cost of sales	*(46)*	*(1,045)*	*(28)*	*(357)*	*(1,476)*	-	-	-	*(1,476)*
inter-segment cost of sales	*(2)*	*(162)*	*(1)*	*(14)*	*(179)*	-	-	*179*	-
Cost of sales: Other	-	(1)	(1)	(21)	(23)	(4)	-	-	(27)
external cost of sales	-	*(1)*	*(1)*	*(21)*	*(23)*	*(4)*	-	-	*(27)*
inter-segment cost of sales	-	-	-	-	-	-	-	-	-
Personnel expenses	(30)	(104)	(31)	(69)	(234)	(2)	(4)	-	(240)
Depreciation and amortisation	(130)	(159)	(29)	(82)	(400)	(3)	-	-	(403)
Repairs and maintenance	(1)	(4)	-	(10)	(15)	-	-	-	(15)
Emission rights, net	-	-	-	(41)	(41)	-	-	-	(41)
Taxes and charges	(1)	(1)	(4)	(3)	(9)	-	-	-	(9)
Other operating income	3	17	-	36	56	-	-	-	56
Other operating expenses	(17)	(89)	(14)	(26)	(146)	(2)	(3)	2	(149)
Own work, capitalized	4	20	1	10	35	-	1	-	36
Operating profit	**606**	**368**	**146**	**93**	**1,213**	**1**	**(6)**	**-**	**1,208**

	Gas trans-mission	Gas and power distribu-tion	Gas stor-age	Heat Infra	Total seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Finance income	2	-	3	7	12	-	*862	*(854)	20
external finance revenues	*2*	-	*1*	*3*	*6*	-	*14*	-	*20*
inter-segment finance revenues	-	-	*2*	*4*	*6*	-	**848*	**(854)*	-
Finance expense	(45)	(18)	(8)	(14)	(85)	(1)	(121)	68	(140)
Profit (loss) from derivative financial instruments	2	(2)	(3)	(7)	(10)	-	(2)	8	(4)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	1	-	-	1
Profit (loss) before income tax	**565**	**348**	**138**	**79**	**1,130**	**1**	***733**	***(779)**	**1,055**
Income tax expenses	(153)	(87)	(35)	16	(291)	-	(4)	-	(295)
Profit (loss) for the year	**412**	**261**	**103**	**63**	**839**	**1**	***729**	***(779)**	**790**

* EUR 781 million is attributable to intra-group dividends primarily recognised by Slovak Gas Holding B.V., Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s

Other financial information:									
EBITDA[(1)]	736	527	175	175	1,613	4	(6)	-	1,611

(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.

EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE

It must be noted that EBITDA is not an indicator that is defined under IFRS. This indicator 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 indicator as derived in accordance with IFRS. This non-IFRS indicator should not be used in isolation. This indicator may not be comparable to similarly titled indicators used by other companies.

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Gas trans-mission	Gas and power distribu-tion	Gas storage	Heat Infra	Total seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Profit from operations	**548**	**371**	**187**	**64**	**1,170**	**1**	**(9)**	**-**	**1,162**
Depreciation and amortisation	130	220	31	76	457	3	-	-	460
Negative goodwill	-	-	-	-	-	-	-	-	-
EBITDA	**678**	**591**	**218**	**140**	**1,627**	**4**	**(9)**	**-**	**1,622**

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of EUR

	Gas trans-mission	Gas and power distribu-tion	Gas storage	Heat Infra	Total seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Profit from operations	**606**	**368**	**146**	**93**	**1,213**	**1**	**(6)**	**-**	**1,208**
Depreciation and amortisation	130	159	29	82	400	3	-	-	403
Negative goodwill	-	-	-	-	-	-	-	-	-
EBITDA	**736**	**527**	**175**	**175**	**1,613**	**4**	**(6)**	**-**	**1,611**

SEGMENT ASSETS AND LIABILITIES

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Gas trans-mission	Gas and power distribu-tion[2]	Gas storage	Heat Infra	Total report-able seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Reportable segment assets	4,413	5,834	959	792	11,998	30	1,075	(1,432)	11,671
Reportable segment liabilities	(2,383)	(1,963)	(517)	(325)	(5,188)	(16)	(3,818)	1,432	(7,590)
Additions to tangible and intangible assets[1]	45	88	9	133	275	-	-	-	275
Additions to tangible and intangible assets (excl. emission rights, right-of-use assets and goodwill)	40	86	9	74	209	-	-	-	209
Equity accounted investees	-	1	-	-	1	2	-	-	3

(1) This balance includes additions to right of use assets, emission rights and goodwill.
(2) Gas distribution pipelines held by Gas and power distribution segment were revalued to their Fair value in 2020.

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of EUR

	Gas trans-mission[2]	Gas and power distribu-tion	Gas storage	Heat Infra	Total report-able seg-ments	Other	Holding	Inter-segment elimina-tions	Con-solidated financial informa-tion
Reportable segment assets	4,736	4,155	911	1,232	11,034	35	1,616	(2,126)	10,559
Reportable segment liabilities	(2,607)	(1,576)	(530)	(465)	(5,178)	(34)	(4,691)	2,126	(7,777)
Additions to tangible and intangible assets[1]	72	87	12	127	298	-	-	-	298
Additions to tangible and intangible assets (excl. emission rights and goodwill)	69	82	11	58	220	-	-	-	220
Equity accounted investees	-	2	-	1	3	-	-	-	3

(1) This balance includes additions to right of use assets, emission rights and goodwill.
(2) Gas transmission pipelines held by Gas transmission segment were revalued to their Fair value in 2019.

INFORMATION ABOUT GEOGRAPHICAL AREAS

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

FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of EUR

	Czech Republic	Slovakia	Germany	Total
Property, plant and equipment	618	9,261	168	10,047
Intangible assets and goodwill	168	34	-	202
Total	**786**	**9,295**	**168**	**10,249**

In millions of EUR

	Czech Republic	Slovakia	Hungary	United Kingdom	Germany	Other*	Total
Sales: Gas	171	921	77	162	61	170	1,562
Sales: Electricity	350	788	46	22	-	48	1,254
Sales: Heat	265	-	60	-	-	-	325
Sales: Logistics and freight servicies	13	1	(1)	-	-	5	18
Sales: Other	20	8	-	-	-	-	28
Gain (loss) from commodity derivatives for trading with electricity and gas, net	8	-	-	-	-	-	8
Total	**827**	**1,718**	**182**	**182**	**61**	**225**	**3,195**

* The geographical area "Other" comprises income items primarily from Switzerland and France.

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of EUR

	Czech Republic	Slovakia	Germany	Hungary	Total
Property, plant and equipment	874	7,700	174	43	8,791
Intangible assets and goodwill	169	48	-	17	234
Total	**1,043**	**7,748**	**174**	**60**	**9,025**

In millions of EUR

	Czech Republic	Slovakia	Hungary	United Kingdom	Germany	Other*	Total
Sales: Gas	195	985	119	96	45	143	1,583
Sales: Electricity	360	924	41	17	-	95	1,437
Sales: Heat	314	-	77	-	-	-	391
Sales: Logistics and freight servicies	16	1	-	-	-	9	26
Sales: Other	22	8	-	-	-	-	30
Gain (loss) from commodity derivatives for trading with electricity and gas, net	9	-	-	-	-	-	9
Total	**916**	**1,918**	**237**	**113**	**45**	**247**	**3,476**

* The geographical area "Other" comprises income items primarily from Switzerland and France.

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

As described in the Note 1 – Background, the Company was established on 6 December 2013 by the parent company Energetický a průmyslový holding, a.s.

On 24 January 2014 EPIF acquired from EPH 100% shares in EP Energy, a.s. ("EPE") for EUR 1,500 million, on 23 March 2016 acquired 100% share in EPH Gas Holding B.V. ("EPH Gas") for EUR 3,235 million and on 30 March 2016 acquired 100% share in Czech Gas Holding Investment B.V. ("CGHI") for EUR 356 million. For the purpose of preparation of these consolidated financial statements, the entities acquired as part of acquisition of shares in EPE, CGHI and EPH Gas are presented using one of the following two methods:

1. If the acquired entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. under the scope of IFRS 3, the Company presents the acquired entities in its consolidated financial statements under the scope of IFRS 3 from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. From the view of the EPIF Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. The consideration paid or payable by the EPIF Group is presented as a decrease of Other capital reserves in Equity.

2. If the acquired entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. in a transaction under common control, the Company presents the acquired entities in its consolidated financial statements as common control acquisition from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. The difference between the value contributed to the equity of the Group as determined by the independent valuation specialist and the net book value of the contributed entity as at the date when contributed to EPH was presented as a pricing difference in Other capital reserves in Equity.

A ACQUISITIONS AND STEP-ACQUISITIONS

I. 31 DECEMBER 2020

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.

On 23 October 2020 the Group via its subsidiary EP Energy, a.s. acquired 100% share in Patamon a.s. for almost CZK 2 million.

During 2020 the Group acquired 100% 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 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.

II. 31 DECEMBER 2019

On 8 March 2019 the Group via its subsidiary Pražská teplárenská, a.s. acquired 60.5% share in PT Distribuční, s.r.o. (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.

B EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2020

There were no significant acquisitions or step-acquisitions in 2020.

II. 31 DECEMBER 2019

There were no significant acquisitions or step-acquisitions in 2019.

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 64% to 100%.

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 Group (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 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.

There were no significant acquisitions or step-acquisitions in 2020 and 2019.

D DISPOSAL OF INVESTMENTS IN 2020 AND 2019

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 %	Equity interest after disposal %
Subsidiaries disposed			
Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci	30/09/2020	100	-
CHIFFON ENTERPRISES LIMITED	30/09/2020	100	-
Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s.	03/11/2020	100	-
Budapesti Erőmű Zrt. and Energia-pro Zrt.	02/12/2020	95.62	-

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 to Other comprehensive income. 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 3 November 2020, the Group disposed 100% in Pražská teplárenská a.s. and its subsidiaries and associates and PT Transit, a.s. The effect of disposal is provided in the following table below.

On 2 December 2020, the Group disposed 95.62% in Budapesti Erőmű Zrt. and Energia-pro Zrt. The effect of disposal is provided in the following table below.

The effects of disposals are provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant and equipment	(255)
Intangible assets	(8)
Participation with significant influence	(1)
Trade receivables and other assets	(126)
Financial instruments – assets	(6)
Inventories	(9)
Cash and cash equivalents	(46)
Restricted cash	(4)
Deferred tax asset	(7)
Provisions	26
Deferred tax liabilities	31
Loans and borrowings	10
Trade payables and other liabilities	184
Net identifiable assets and liabilities	**(211)**
Non-controlling interest	4
Pricing differences	9
Translation difference recycled to OCI	(29)
Net assets value disposed	**(227)**
Consideration received, satisfied in cash	1,011
Cash and cash equivalents disposed of	(46)
Net cash inflows	**965**
Gain (loss) on disposal	**784**

II. 31 DECEMBER 2019

During the year 2019 the Group didn't dispose any of its investment

7. Sales

In millions of EUR

	2020	2019
Sales: Energy		
Gas	1,562	1,583
Electricity	1,254	1,437
Heat	325	391
Total Energy	**3,141**	**3,411**
Sales: Logistics and freight services	**18**	**26**
Sales: Other	**28**	**30**
Total revenues from customers	**3,187**	**3,467**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**8**	**9**
Total	**3,195**	**3,476**

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 721 million (2019: EUR 794 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 927 million (2019: EUR 952 million). The amount of EUR 195 million (2019: EUR 358 million) relates to distribution of electricity.

Other sales are represented mainly by sales of gypsum, revenues from transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

In 2020 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.

In millions of EUR

	31 December 2020	31 December 2019
Contract assets	54	59
Current	*54*	*59*
Non-current	-	-
Contract liabilities	185	167
Current	*70*	*62*
Non-current	*115*	*105*

The amount of EUR 61 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
Cost of Sales – Energy		
Cost of sold electricity	722	930
Cost of sold gas and other energetic products	116	100
Consumption of coal and other material	117	122
Consumption of energy	209	289
Other cost of sales	26	35
Total Energy	**1,190**	**1,476**
Cost of Sales – Manufacturing, food processing and other		
Consumption of material	13	9
Changes in WIP, semi-finished products and finished goods	(1)	-
Cost of goods sold	9	10
Consumption of energy	3	4
Other cost of sales	3	4
Total Other	**27**	**27**
Total	**1,217**	**1,503**

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 overhead (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	171	171
Compulsory social security contributions	57	57
Other social expenses	11	12
Total	**239**	**240**

The average number of employees (calculated using figures of disposed entities until their respective deconsolidation date) during 2020 was 6,428 (2019: 6,458), of which 130 were executives (2019: 127).

10. Emission rights

In millions of EUR

	2020	2019
Profit from sale of emission rights for trading	2	5
Deferred income (grant) released to profit and loss	10	21
Creation and release of provision for emission rights	(84)	(67)
Use of provision for emission rights	65	39
Consumption of emission rights	(65)	(39)
Total	**(72)**	**(41)**

The increase of emission rights cost 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 and Hungary 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.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská teplárenská, a.s., Elektrárny Opatovice, a.s., Stredoslovenská energetika, a.s., NAFTA a.s., SPP Storage, s.r.o. and eustream, a.s.. Pražská teplárenská, a.s. and Budapesti Erőmű Zrt. were participating till the disposal date.

11. Taxes and charges

In millions of EUR

	2020	2019
Property tax	3	2
Other taxes and charges	6	7
Total taxes and charges	**9**	**9**

12. Other operating income

In millions of EUR

	2020	2019
Decentralization and cogeneration fee[(1)]	14	16
Property acquired free-of-charge and fees from customers	9	6
Compensation from other and insurance companies	9	5
Rental income	7	7
Consulting fees	4	5
Waste disposal	4	3
Contractual penalties	2	2
Profit from sale of material	1	1
Revenues from writte-off liabilities	1	-
Revenues from re-invoicing	1	-
Profit from disposal of tangible and intangible assets	-	1
Other	7	10
Total	**59**	**56**

(1) Decentralization and cogeneration fees relate to subsidy for producing electricity in cogeneration with heat. This revenue does not met the criteria of revenues from customers as mentioned in Note 3(n).

13. Other operating expenses

In millions of EUR

	2020	2019
Outsourcing and other administration fees	29	29
Information technologies costs	12	12
Consulting expenses	10	11
Transport expenses	10	10
Rent expenses	9	9
Office equipment and other material	8	8
Loss from receivables written-off	4	-
Insurance expenses	4	4
Impairment losses (gains)	3	48
Of which relates to: Property, plant and equipment and intangible assets	*(2)*	*(1) 45*
Trade receivables and other assets	*4*	*3*
Inventories	*1*	-
Advertising expenses	3	4
Gifts and sponsorship	2	2
Loss on disposal of tangible and intangible assets	2	-
Contractual penalties	1	2
Communication expenses	1	1
Training, courses, conferences	1	1
Security services	1	1
Creation and reversal of provision	-	(9)
Other	12	16
Total	**112**	**149**

(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.

No material research and development expenses were recognised in profit and loss for the year ended 31 December 2020 and 31 December 2019.

FEES PAYABLE TO STATUTORY AUDITORS

In millions of EUR

	2020	2019
Statutory audits	1	1
Services in addition to the Statutory audit	-	-
Total	**1**	**1**

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. Services in addition to the Statutory audit include following services:s:

- Review of the condensed interim consolidated financial statements 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	1	1
Dividend income	3	2
Fee and commission income	1	1
Net foreign exchange profit	-	16
Finance income	**5**	**20**
Interest expense	(109)	(132)
Interest expense from unwind of provision discounting	(3)	(3)
Fees and commissions expense for other services	(15)	(5)
Net foreign exchange loss	(27)	-
Finance expense	**(154)**	**(140)**
Profit from loan receivables written off	11	-
Profit (loss) from hedging derivatives	6	(1)
Profit (loss) from other derivatives for trading[1]	6	-
Profit (loss) from assets at fair value through profit or loss	1	-
Profit (loss) from currency derivatives for trading[1]	(3)	(2)
Profit (loss) from interest rate derivatives for trading[1]	(59)	-
Impairment losses from financial assets	(1)	(1)
Profit (loss) from financial instruments	**(39)**	**(4)**
Net finance income (expense) recognised in profit or loss for continuing operations	**(188)**	**(124)**

(1) All derivatives are for the risk management purposes.

15. Income tax expenses

INCOME TAXES RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2020	2019
Current taxes:		
Current year	(333)	(336)
Adjustment for prior periods	(2)	1
Withholding tax	-	-
Total current taxes	**(335)**	**(335)**
Deferred taxes:		
Origination and reversal of temporary differences[1]	70	40
Change in tax rate	-	-
Total deferred taxes	**70**	**40**
Total income taxes (expense) benefit recognised in profit or loss for continuing operations	**(265)**	**(295)**

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

Balance of current income tax liability in amount of EUR 48 million (2019: EUR 105 million) is mainly represented by 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. (Stredoslovenská energetika – Distribúcia, 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. According to Czech legislation the corporate income tax rates is 19% for fiscal year 2020 (19% for 2019) and Hungarian legislation the corporate income tax rate is 9% for fiscal year 2020 (9% for 2019). The Slovak corporate income tax rate is 21% for fiscal year 2020 (21% for 2019). The German federal income tax rate is 26.93% for fiscal year 2020 (26.93% for 2019). Current year income tax line 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
Foreign currency translation differences for foreign operations	70	-	70
Foreign currency translation differences from presentation currency	(52)	-	(52)
Effective portion of changes in fair value of cash-flow hedges	(29)	7	(22)
Fair value reserve included in other comprehensive income	1,768	(453)	1,315
Total	**1,757**	**(446)**	**1,311**

In millions of EUR

	2019		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	(43)	-	(43)
Foreign currency translation differences from presentation currency	28	-	28
Effective portion of changes in fair value of cash-flow hedges	(48)	11	(37)
Fair value reserve included in other comprehensive income	2,166	(551)	1,615
Total	**2,103**	**(540)**	**1,563**

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
	%		%	
Profit before tax		1,759		1,085
Income tax using the Company's domestic rate (19%)	19.00%	334	19.00%	206
Effect of tax rates in foreign jurisdictions	1.36%	24	1.84%	20
Non-deductible expenses[1]	3.87%	68	1.19%	13
Non-taxable income[2]	(13.31%)	(234)	(0.37%)	(4)
Recognition of previously unrecognized tax losses	0.91%	16	-	-
Current year losses for which no deferred tax asset was recognized	0.40%	7	0.37%	4
Change in temporary differences for which no deferred tax asset is recorded	(0.23%)	(4)	-	-
Regulated industry tax[3]	3.07%	54	5.25%	57
Witholding tax	-	-	(0.09%)	(1)
Income taxes recognised in profit or loss for continuing operations	**15.07%**	**265**	**27.19%**	**295**

(1) The basis consists mainly of loss from sale of investment in NPTH, a.s. v likvidaci of EUR 146 million and from loss of interest rate derivatives realized by EP Infrastructure, a.s. (CE Energy, a.s.) of EUR 46 million (2019: non-deductible interest expense of EUR 41 million).
(2) The basis of EUR 931 million 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 and Budapesti Erőmű Zrt. and Energia-pro Zrt.
(3) This item relates to special industry tax applied in Slovakia and Hungary. The balance consists mainly of amount recognized by eustream, a.s. of EUR 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 buildings[1]	Gas transmission pipelines – fair value model	Gas distribution pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost								
Balance at 1 January 2020	**2,331**	**3,803**	**-**	**2,592**	**1,987**	**18**	**211**	**10,942**
Effects of movements in foreign exchange	(32)	-	-	-	(26)	(1)	(1)	**(60)**
Additions	46	-	-	-	54	-	105	**205**
Reclassification	-	-	2,094	(2,580)	-	-	-	**(486)**
Revaluation	-	-	[2]1,762	-	-	-	-	**1,762**
Disposals	(11)	-	-	-	(20)	(1)	-	**(32)**
Disposed entities	(345)	-	-	-	(117)	(6)	(10)	**(478)**
Transfers	21	-	44	-	62	1	(128)	**-**
Change in provision recorded in property, plant and equipment	10	-	-	-	-	-	-	**10**
Balance at 31 December 2020	**2,020**	**3,803**	**3,900**	**12**	**1,940**	**11**	**177**	**11,863**
Depreciation and impairment losses								
Balance at 1 January 2020	**(739)**	**(37)**	**-**	**(525)**	**(842)**	**(3)**	**(5)**	**(2,151)**
Effects of movements in foreign exchange	13	-	-	-	15	-	-	**28**
Depreciation charge for the year	(94)	(89)	(142)	-	(110)	(1)	-	**(436)**
Disposals	5	-	-	-	23	1	-	**29**
Disposed entities	147	-	-	-	74	2	-	**223**
Reclassification	-	-	(39)	525	-	-	-	**486**
Impairment losses recognized in profit or loss	7	-	-	-	1	-	(3)	**5**
Balance at 31 December 2020	**(661)**	**(126)**	**(181)**	**-**	**(839)**	**(1)**	**(8)**	**(1,816)**
Carrying amounts								
At 1 January 2020	**1,592**	**3,766**	**-**	**2,067**	**1,145**	**15**	**206**	**8,791**
At 31 December 2020	**1,359**	**3,677**	**3,719**	**12**	**1,101**	**10**	**169**	**10,047**

(1) Including right-of-use assets
(2) For more information on revaluation of gas distribution pipelines, refer to note 3 (a).

In millions of EUR

	Land and buildings[1]	Gas transmission pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost							
Restated balance at 31 December 2018	**2,329**	**-**	**4,568**	**1,796**	**46**	**137**	**8,876**
Adjustment for change in accounting policy (IFRS16)	41	-	-	43	-	-	**84**
Balance at 1 January 2019	**2,370**	**-**	**4,568**	**1,839**	**46**	**137**	**8,960**
Effects of movements in foreign exchange	7	-	3	3	-	-	**13**
Additions	47	-	1	32		139	**219**
Reclassification	-	1,637	(1,978)	-	-	-	**(341)**
Revaluation	-	[2]2,166	-	-	-	-	**2,166**
Disposals	(15)	-	(30)	(19)	-	(1)	**(65)**
Transfers	17	-	28	19	2	(66)	**-**
Change in provision recorded in property, plant and equipment	(8)	-	-	-	-	-	**(8)**
Effect of final PPA on Nafta Germany	(87)	-	-	113	(30)	2	**(2)**
Balance at 31 December 2019	**2,331**	**3,803**	**2,592**	**1,987**	**18**	**211**	**10,942**
Depreciation and impairment losses							
Restated balance at 31 December 2018	**(650)**	**-**	**(738)**	**(733)**	**(3)**	**(4)**	**(2,128)**
Reclassification due to change of accounting policy – application of revaluation model	-	-	0	-	-	-	**-**
Balance at 1 January 2019	**(650)**	**-**	**(738)**	**(733)**	**(3)**	**(4)**	**(2,128)**
Effects of movements in foreign exchange	(2)	-	-	(4)		-	**(6)**
Depreciation charge for the year	(97)	(86)	(71)	(122)	-	-	**(376)**
Disposals	14	-	31	18	-	-	**63**
Reclassification	-	49	292	0	-	-	**341**
Impairment losses recognized in profit or loss	(4)	-	(39)	(1)	-	(1)	**(45)**
Balance at 31 December 2019	**(739)**	**(37)**	**(525)**	**(842)**	**(3)**	**(5)**	**(2,151)**
Carrying amounts							
At 1 January 2019	**1,679**	**-**	**3,830**	**1,063**	**43**	**133**	**6,748**
At 31 December 2019	**1,592**	**3,766**	**2,067**	**1,145**	**15**	**206**	**8,791**

(1) Including right-of-use assets
(2) For more information on revaluation of gas transmission pipelines, refer to note 3 (a).

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 2 (c) 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 and 2019 no property, plant and equipment is subject to pledges to secure bank loans or issued debentures.

17. Intangible assets (include goodwill)

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2020	**113**	**72**	**81**	**168**	**10**	**444**
Effect of movements in foreign exchange rates	(3)	(1)	(3)	-	-	**(7)**
Additions	-	3	63	-	7	**73**
Disposals	-	(1)	(65)	-	-	**(66)**
Disposed entities	-	(1)	(7)	-	-	**(8)**
Transfers	-	2	-	-	(2)	**-**
Balance at 31 December 2020	**110**	**74**	**69**	**168**	**15**	**436**
Amortisation and impairment losses						
Balance at 1 January 2020	**(11)**	**(50)**	**-**	**(146)**	**(3)**	**(210)**
Amortisation for the year	-	(7)	-	(16)	(1)	**(24)**
Balance at 31 December 2020	**(11)**	**(57)**	**-**	**(162)**	**(4)**	**(234)**
Carrying amount						
At 1 January 2020	**102**	**22**	**81**	**22**	**7**	**234**
At 31 December 2020	**99**	**17**	**69**	**6**	**11**	**202**

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2019	**112**	**68**	**48**	**168**	**11**	**407**
Effect of movements in foreign exchange rates	1	1	-	-	-	**2**
Additions	-	3	74	-	2	**79**
Disposals	-	(1)	(41)	-	(2)	**(44)**
Transfers	-	1	-	-	(1)	**-**
Balance at 31 December 2019	**113**	**72**	**81**	**168**	**10**	**444**
Amortisation and impairment losses						
Balance at 1 January 2019	**(11)**	**(41)**	**-**	**(129)**	**(5)**	**(186)**
Amortisation for the year	-	(10)	-	(17)	-	**(27)**
Disposals	-	1	-	-	2	**3**
Balance at 31 December 2019	**(11)**	**(50)**	**-**	**(146)**	**(3)**	**(210)**
Carrying amount						
At 1 January 2019	**101**	**27**	**48**	**39**	**6**	**221**
At 31 December 2019	**102**	**22**	**81**	**22**	**7**	**234**

In 2020, the Group purchased emission allowances of EUR 52 million (2019: EUR 54 million). The remaining part of EUR 11 million (2019: EUR 20 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic, Slovakia and Hungary.

Amortisation of intangible assets is included in the row Depreciation and amortisation in the consolidated statement of comprehensive income.

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

The Group did not capitalise any development costs in 2020 and 2019.

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. However, 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:

In millions of EUR

	31 December 2020	31 December 2019
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
Total goodwill	**99**	**102**

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 as at 31 December 2020 was based on the following key assumptions:

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by additional six years of modelled projections followed by projected results based on estimated growth factor plus a terminal value if relevant. Cash flows for a terminal period were extrapolated using a constant growth rate of 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, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 4.51% to 5.48% (2019: 4.81% to 6.08%). Changes in used discount rates compared to prior year reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

No impairment of Goodwill was recognized in 2020 and in 2019.

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%

EPIF 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 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_2 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. 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	1	(1,854)	(1,853)	1	(1,481)	(1,480)
Intangible assets	-	(15)	(15)	-	(15)	(15)
Inventories	2	-	2	2	-	2
Trade receivables and other assets	2	-	2	2	-	2
Provisions	44	-	44	48	-	48
Employees benefits (IAS 19)	8	-	8	7	-	7
Cash equivalents, loans and receivables – at amortised cost	-	(12)	(12)	-	(16)	(16)
Tax losses	1	-	1	-	-	-
Derivatives	31	9	40	23	-	23
Other items	3	(34)	(31)	11	(43)	(32)
Subtotal	**92**	**(1,906)**	**(1,814)**	**94**	**(1,555)**	**(1,461)**
Set-off tax	(75)	75	-	(77)	77	-
Total	**17**	**(1,831)**	**(1,814)**	**17**	**(1,478)**	**(1,461)**

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[1]	Transfer	Outgoing entities[2]	Effect of movements in foreign exchange rate	Balance at 31 December 2020
Property, plant and equipment	(1,480)	51	(447)	3	22	(2)	(1,853)
Intangible assets	(15)	-	-	-	-	-	(15)
Inventories	2	-	-	-	-	-	2
Trade receivables and other assets	2	-	-	-	-	-	2
Provisions	48	2	-	(1)	(5)	-	44
Employee benefits (IAS 19)	7	1	-	-	-	-	8
Cash equivalents, loans and receivables – at amortised cost	(16)	1	-	-	3	-	(12)
Tax losses	-	1	-	-	-	-	1
Derivatives	23	7	7	-	3	-	40
Other	(32)	7	(6)	(2)	1	1	(31)
Total	**(1,461)**	**70**	**(446)**	**-**	**24**	**(1)**	**(1,814)**

(1) Revaluation of gas distribution pipelines (FV model) in SPP-distribúcia, a.s. of EUR 447 million.
(2) The balance refers to Pražská teplárenská, a.s. of EUR 19 million and PT Transit, a.s. of EUR 5 million.

In millions of EUR

Balances related to:	Balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income[1]	Transfer	Effect from PPA corrections	Effect of movements in foreign exchange rate	Balance at 31 December 2019
Property, plant and equipment	(973)	39	(551)	(1)	4	2	(1,480)
Intangible assets	(15)	-	-	-	-	-	(15)
Inventories	2	-	-	-	-	-	2
Trade receivables and other assets	4	(2)	-	-	-	-	2
Provisions	32	-	-	16	-	-	48
Employee benefits (IAS 19)	5	-	1	1	-	-	7
Loans and borrowings	(19)	-	-	3	-	-	(16)
Tax losses	2	(2)	-	-	-	-	-
Derivatives	13	-	10	-	-	-	23
Other	(18)	5	-	(19)	-	-	(32)
Total	**(967)**	**40**	**(540)**	**-**	**4**	**2**	**(1,461)**

(1) Revaluation of gas transmission pipelines (FV model) in eustream of EUR 549 million and finalisation of PPA 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 EPIF Group entities:

In millions of EUR

	31 December 2020	31 December 2019
Tax losses carried forward	368	328
Total	**368**	**328**

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
PT Holding Investments B.V.	4	4
EPH Gas Holding B.V.	65	55
SPP Infrastructure, a.s.	2	-
Czech Gas Holding Investment B.V.	13	12
Seattle Holding B.V.	96	96
Slovak Gas Holding B.V.	175	161
Nafta Exploration d.o.o.	4	-
EP Infrastructure, a.s.	9	-
Total	**368**	**328**

The entities in the table represent holding companies with insignificant operating activities. The Group does not expect significant taxable profit growth on these entities, so no deferred tax was recognized. If sufficient taxable profit were to be achieved in 2020, then the associated tax income (savings) would be up to EUR 68 million (2019: 62 million).

A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

	2021	2022	2023	2024	After 2025	Total
Tax losses	1	1	3	99	264	**368**

Tax losses expire over a period of 5 years in the Czech Republic, 4 years in Slovakia and 9 years in the Netherlands for standard tax losses. Under current tax legislation, some deductible temporary differences do not expire. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

19. Inventories

In millions of EUR

	31 December 2020	31 December 2019
Natural gas	138	147
Fossil fuel	20	25
Raw materials and supplies	14	13
Spare parts	12	16
Work in progress	-	1
Total	**184**	**202**

At 31 December 2020 and 2019 no inventories were subject to pledges.

20. Trade receivables and other assets

In millions of EUR

	31 December 2020	31 December 2019
Trade receivables	201	235
Accrued income[(1)]	88	138
Advance payments	37	56
Value added tax receivables, net	3	7
Estimated receivables	2	3
Other taxes receivables, net	-	1
Other receivables and assets	52	55
Allowance for bad debts	(22)	(20)
Total	**361**	**475**
Non-current	31	39
Current	330	436
Total	**361**	**475**

(1) For more detail on accrued income refer to Note 30 – Commitments and contingencies.

In 2020 EUR 5 million receivables were written-off through profit or loss (2019: EUR 0 million).

As at 31 December 2020 no receivables are subject to pledges (2019: 0 million).

As at 31 December 2020 trade receivables and other assets amounting EUR 355 million are not past due (2019: EUR 453 million) remaining net balance of EUR 6 million is overdue (2019: EUR 14 million). For more detailed aging analysis refer to Note 32 (a)(ii) – Risk management – credit risk (impairment losses).

As at 31 December 2020 and 2019 the fair value of trade receivables and other assets equal to its carrying amount.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 32 – Risk management policies and disclosures.

21. Cash and cash equivalents

In millions of EUR

	31 December 2020	31 December 2019
Current accounts with banks	564	674
Term deposits	145	-
Total	**709**	**674**

Term deposits with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2020 and 2019 no cash equivalents are subject to pledges.

22. Equity

SHARE CAPITAL AND SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2020 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each (2019: 222,870,000 ordinary shares) ("Shares A") and 100,130,000 shares (with which special rights relating to profit distribution are connected as specified in the Articles of Incorporation) with a par value of CZK 250 each (2019: 100,130,000 shares) ("Shares B").

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 250 at meetings of the Company's shareholders.

In 2020 the Company declared and paid dividends in amount of EUR 1,128 million (2019: EUR 450 million) to its shareholders, out of which EUR 140 million as interim dividends from current year profit.

31 DECEMBER 2020

In thousands of pieces

	Number of shares		Ownership	Voting rights
	250 CZK		%	%
	Shares A	Shares B		
EPIF Investments a.s.	222,870	-	69	69
CEI INVESTMENTS S.a.r.l.	-	100,130	31	31
Total	**222,870**	**100,130**	**100**	**100**

31 DECEMBER 2019

In thousands of pieces

	Number of shares		Ownership	Voting rights
	250 CZK		%	%
	Shares A	Shares B		
EPIF Investments a.s.	222,870	-	69	69
CEI INVESTMENTS S.a.r.l.	-	100,130	31	31
Total	**222,870**	**100,130**	**100**	**100**

Reserves recognised in equity comprise the following items:

In millions of EUR

	31 December 2020	31 December 2019
Non-distributable reserves	1	1
Revaluation reserve	1,377	774
Hedging reserve	(102)	(100)
Translation reserve	(33)	(87)
Other capital reserves	(3,814)	(3,814)
Total	**(2,571)**	**(3,226)**

OTHER CAPITAL RESERVES

As stated in section 3 (b) vii – Pricing differences, the Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. or subsidiaries contributed to the share capital of the Company by Energetický a průmyslový holding, a.s. As these acquired or contributed entities were under common control of Energetický a průmyslový holding, a.s., they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). 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. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group and translation of the consolidated financial statements to presentation currency.

FAIR VALUE RESERVE

For more details on revaluation, refer to Note 2 (d) and Note 4 (a).

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 28 – Financial instruments and Note 32 – Risk management policies and disclosure).

During 2020 the Group reclassified EUR 73 million as income from Hedging reserves to Profit or loss (2019: EUR 31 million as income).

23. Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share in EUR per 1 share of CZK 250 (2019: in EUR per 1 share of CZK 250) nominal value equal 3.44 (2019: 1.24).

The calculation of basic earnings per share as at 31 December 2020 was based on profit attributable to ordinary shareholders of EUR 1,111 million (2019: EUR 401 million), and a weighted average number of ordinary shares outstanding of 323,000,000 (2019: 323,000,000).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2020

In pieces

	Nominal	Weighted
Issued shares	323,000,000	323,000,000
of which on 6 February 2017 classified as:		
Ordinary shares "A" (1 share/CZK 250)	*222,870,000*	*222,870,000*
Shares "B" (1 share/CZK 250)	*100,130,000*	*100,130,000*
Total	**323,000,000**	**323,000,000**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2019

In pieces

	Nominal	Weighted
Issued shares	323,000,000	323,000,000
of which on 6 February 2017 classified as:		
Ordinary shares "A" (1 share/CZK 250)	*222,870,000*	*222,870,000*
Shares "B" (1 share/CZK 250)	*100,130,000*	*100,130,000*
Total	**323,000,000**	**323,000,000**

DILUTIVE EARNINGS PER SHARE

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

24. Non-controlling interest

31 DECEMBER 2020

In millions of EUR

	Stredo-slovenská energetika, a.s. and its subsidiaries	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries[3]	SPP-distribúcia, a.s. and its subsidiaries	eustream a.s.	POZAGAS a.s.	Plzeňská teplárenská, a.s.	Other individually immaterial subsidiaries	Total
Non-controlling percentage	**[6]51.00%**	**31.01%**	**[6]51.00%**	**[6]51.00%**	**[6]51.00%**	**38.01%**	**65.00%**		
Business activity	Distribution of electricity	Gas storage and exploration	Holding entity	Distribution of gas	Transmission of gas	Gas storage and exploration	Production and distribution of heat		
Country[1]	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Slovakia	Czech Republic		
Carrying amount of NCI at 31 December 2020	**461**	**111**	**(252)**	**[7]1,493**	**1,036**	**38**	**125**	**-**	**3,012**
Profit (loss) attributable to non-controlling interest for the period	**78**	**32**	**-**	**59**	**191**	**7**	**7**	**10**	**384**
Dividends declared	**(96)**	**(1)**	**(268)**	**-**	**-**	**-**	**(8)**	**(1)**	**(374)**
Statement of financial position information[2]									
Total assets	1,226	795	5,585	4,467	4,413	122	245		
of which: non-current	*823*	*630*	*[4]5,456*	*3,973*	*4,233*	*34*	*197*		
current	*403*	*165*	*129*	*494*	*180*	*88*	*48*		
Total liabilities	322	438	1,021	1,539	2,383	21	52		
of which: non-current	*159*	*393*	*644*	*949*	*2,104*	*16*	*25*		
current	*163*	*45*	*377*	*590*	*279*	*5*	*27*		
Net assets	**904**	**357**	**4,565**	**2,928**	**2,030**	**101**	**192**	**-**	**-**
Statement of comprehensive income information[2]									
Total revenues	1,018	243	617	447	747	40	121		
of which: dividends received	-	-	*[5]584*	-	-	-	-		
Profit after tax	152	102	584	117	374	19	11		
Total other comprehensive income for the period, net of tax	-	(2)	-	1,314	(54)	-	-		
Total comprehensive income for the year[2]	**152**	**100**	**584**	**1,431**	**320**	**19**	**11**	**-**	**-**
Net cash inflows (outflows)[2]	**29**	**14**	**(10)**	**11**	**(146)**	**7**	**(6)**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 34 – Group entities).
(2) Financial information derived from individual 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) Includes EUR 4,914 million as financial investments in eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.
(5) Includes dividends from eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.
(6) Even though the Group holds less than half of the voting rights it 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.
(7) Increase of NCI on SPP-distribúcia, a.s. relates to revaluation of Property, plant and equipment of EUR 1,315 million increasing NCI by EUR 672 million.

31 DECEMBER 2019

In millions of EUR

	Stredo-slovenská energetika, a.s. and its subsidiaries	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries(3)
Non-controlling percentage	**(6)51.00%**	**31.01%**	**(6)51.00%**
Business activity	Distribution of electricity	Gas storage and exploration	Holding entity
Country(1)	Slovakia	Slovakia, Germany	Slovakia
Carrying amount of NCI at 31 December 2019	**480**	**102**	**(284)**
Profit (loss) attributable to non-controlling interest for the period	**65**	**25**	**-**
Dividends declared	**(5)**	**(1)**	**(340)**
Statement of financial position information(2)			
Total assets	1,256	855	6,253
of which: non-current	*827*	*757*	*(4)5,461*
current	*429*	*98*	*792*
Total liabilities	314	527	1,746
of which: non-current	*142*	*476*	*546*
current	*172*	*51*	*1,200*
Net assets	**942**	**328**	**4,507**
Statement of comprehensive income information(2)			
Total revenues	1,209	217	654
of which: dividends received	-	-	*(5)608*
Profit after tax	127	80	608
Total other comprehensive incomefor the period, net of tax	-	3	-
Total comprehensive income for the year(2)	**127**	**83**	**608**
Net cash inflows (outflows)(2)	**86**	**(13)**	**4**

	SPP-distribúcia, a.s. and its subsidiaries	eustream a.s.	POZAGAS a.s.	Plzeňská teplárenská, a.s.	Other individually immaterial subsidiaries	Total
Non-controlling percentage	**(6)51.00%**	**(6)51.00%**	**38.01%**	**65.00%**		
Business activity	Distribution of gas	Transmission of gas	Gas storage and exploration	Production and distribution of heat		
Country(1)	Slovakia	Slovakia	Slovakia	Czech Republic		
Carrying amount of NCI at 31 December 2019	**823**	**(7)1,086**	**31**	**130**	**3**	**2,371**
Profit (loss) attributable to non-controlling interest for the period	**68**	**210**	**3**	**9**	**10**	**389**
Dividends declared	**-**	**-**	**-**	**(8)**	**-**	**(354)**
Statement of financial position information(2)						
Total assets	2,781	4,736	100	252		
of which: non-current	*2,233*	*4,335*	*30*	*196*		
current	*548*	*401*	*70*	*56*		
Total liabilities	1,168	2,606	19	52		
of which: non-current	*1,018*	*1,702*	*15*	*24*		
current	*150*	*904*	*4*	*28*		
Net assets	**1,613**	**2,129**	**81**	**200**	**-**	**-**
Statement of comprehensive income information(2)						
Total revenues	440	830	30	115		
of which: dividends received	-	-	-	-		
Profit after tax	134	412	7	13		
Total other comprehensive incomefor the period, net of tax	1	1,612	-	-		
Total comprehensive income for the year(2)	**135**	**2,023**	**7**	**13**		
Net cash inflows (outflows)(2)	**21**	**188**	**3**	**3**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 34 – Group entities).
(2) Financial information derived from individual 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) Includes EUR 4,907 million as financial investments in eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.
(5) Includes dividends from eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.
(6) Even though the Group holds less than half of the voting rights it 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.
(7) Increase of NCI on eustream, a.s. relates to revaluation of Property, plant and equipment of EUR 1,615 million increasing NCI by EUR 824 million.

25. Loans and borrowings

In millions of EUR

	31 December 2020	31 December 2019
Loans payable to credit institutions	1,042	1,200
Loans payable to other than credit institution	1	0
Issued debentures at amortised costs	3,441	3,700
Bank overdraft	-	31
Liabilities from financial leases	58	76
Total	**4,542**	**5,007**
Total non-current liabilities	3,926	4,105
Total current liabilities	616	902
Total	**4,542**	**5,007**

The weighted average interest rate on loans and borrowings (excl. debentures) for 2020 was 1.06% (2019: 1.37%).

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)	12/2/2025	2.625	2.685
SPPD bond	500	7	(1)	23/6/2021	2.625	2.828
EP Infrastructure 2024 notes	750	8	(3)	26/4/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(3)	30/7/2026	1.698	1.795
2027 Private Offering	70	-	(1)	8/4/2027	(1)2.150	2.360
EP Infrastructure 2028 notes	500	2	(3)	9/10/2028	2.045	2.117
eustream bond	500	5	(3)	25/6/2027	1.625	1.759
Total	**3,420**	**38**	**(17)**	-	-	-

1) Interest rate is a combination of reference interest rate (6M EURIBOR) and margin of 2.15% p.a. set for relevant interest period.

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	(0)	18/7/2020	3.750	3.773/3.717
SPP Infrastructure Financing bond II	500	12	(4)	12/2/2025	2.625	2.685
SPPD bond	500	7	(2)	23/6/2021	2.625	2.828
EP Infrastructure 2024 notes	750	8	(4)	26/4/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(4)	30/7/2026	1.698	1.795
2027 Private Offering	70	0	(1)	8/4/2027	(1)2.150	2.360
EP Infrastructure 2028 notes	500	2	(3)	9/10/2028	2.045	2.117
Total	**3,670**	**47**	**(17)**	-	-	-

(1) Interest rate is a combination of reference interest rate (6M EURIBOR) and margin of 2.15% 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 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 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. 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 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, Eustream may redeem all, but not part, of the 2027 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, Eustream may be required to offer to redeem the 2027 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

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*	2021	75	75	-	-
Unsecured bank loan	EUR	variable*	2024	386	-	386	-
Unsecured bank loan	EUR	variable*	2025	400	-	400	-
Unsecured bank loan	EUR	variable*	2026	48	-	-	48
Unsecured bank loan	EUR	variable*	2027	65	-	-	65
Unsecured bank loan	EUR	variable*	2029	60	-	-	60
Unsecured bank loan	EUR	fixed	2023	8	3	5	-
Unsecured loan	CZK	fixed	2024	1	-	1	-
Liabilities from finance leases	EUR			58	13	29	16
Total interest-bearing liabilities				**1,101**	**91**	**821**	**189**

* Variable interest rate is derived as EURIBOR plus 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*	2020	55	55	-	-
Unsecured bank loan	EUR	variable*	2021	75	-	75	-
Unsecured bank loan	EUR	variable*	2023	499	-	498	-
Unsecured bank loan	EUR	variable*	2024	386	0	386	-
Unsecured bank loan	EUR	variable*	2026	48	-	-	48
Unsecured bank loan	EUR	variable*	2027	65	-	-	65
Unsecured bank loan	EUR	variable*	2029	60	-	-	60
Unsecured bank loan	EUR	fixed	2020	2	2	-	-
Unsecured bank loan	EUR	fixed	2023	10	3	8	-
Overdraft	EUR	variable*	2021	31	31	-	-
Liabilities from finance leases	EUR			76	11	27	38
Total interest-bearing liabilities				**1,307**	**102**	**994**	**211**

* Variable interest rate is derived as EURIBOR plus 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 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

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans payable to credit institutions	1,042	1,043	1,200	1,208
Issued debentures at amortised costs	3,441	3,501	3,700	3,745
Subordinated liability	-	-	0	0
Bank overdraft	-	-	31	31
Revolving credit facility	-	-	-	-
Liabilities from financial leases	58	61	76	77
Total	**4,542**	**4,606**	**5,007**	**5,061**

Issued debentures are categorised within Level 1 or 2 of the fair value hierarchy. Bank loans are categorised within Level 2 or 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2 (e) i – Assumption and estimation uncertainties).

SIGNIFICANT INVESTING AND FINANCING ACTIVITIES NOT REQUIRING CASH:

In millions of EUR

	31 December 2020	31 December 2019
Financing activities	270	340
Total	**270**	**340**

For the year 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 EUR 270 million (2019: EUR 340 million) was set-off against dividends declared by SPPI to Slovenský plynárenský priemysel, a.s.

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

In millions of EUR

	Liabilities					Equity				
	Loans from credit institu-tions	Loans from other than credit institu-tions	Bank overdraft	Issued deben-tures	Finance lease li-abilities	Share capital / premium	Reserves	Retained earnings	Non-con-trolling interest	Total
Balance as at 1 January 2020	**1,200**	**-**	**31**	**3,700**	**76**	**2,996**	**(3,226)**	**641**	**2,371**	**7,789**
Changes from financing cash flows										
Proceeds from loans and borrowings	760	1	46	500	-	-	-	-	-	1,307
Repayment of borrowings	(919)	-	(77)	(750)	-	-	-	-	-	(1,746)
Transaction cost related to loans and borrowings	-	-	-	(4)	-	-	-	-	-	(4)
Payment of finance lease liabilities	-	-	-	-	(14)	-	-	-	-	(14)
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	(270)	(270)
Dividend paid	-	-	-	-	-	-	-	(1,128)	(106)	(1,234)
Total change from financing cash flows	**(159)**	**1**	**(31)**	**(254)**	**(14)**	**-**	**-**	**(1,128)**	**(376)**	**(1,961)**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	(10)	-	-	-	-	(10)
Total effect of changes in foreign exchange rates	(1)	-	-	(5)	-	-	25	-	-	19
Other changes										
Liability related										
Interest expense	18	-	-	89	2	-	-	-	-	109
Interest paid	(16)	-	-	(89)	(1)	-	-	-	-	(106)
Lease liability (impact of IFRS16)	-	-	-	-	5	-	-	-	-	5
Total liability-related other changes	**2**	**-**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**8**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**		**630**	**1,131**	**1,017**	**2,778**
Balance at 31 December 2020	**1,042**	**1**	**-**	**3,441**	**58**	**2,996**	**(2,571)**	**644**	**3,012**	**8,623**

In millions of EUR

	Liabilities					Equity				
	Loans from credit institutions	**Loans from other than credit institutions**	**Bank overdraft**	**Issued debentures**	**Finance lease liabilities**	**Share capital / premium**	**Reserves**	**Retained earnings**	**Non-controlling interest**	**Total**
Balance as at 1 January 2019	**1,778**	**-**	**12**	**3,029**	**-**	**2,996**	**(3,931)**	**674**	**1,495**	**6,053**
Changes from financing cash flows										
Proceeds from loans and borrowings	1,025	-	31	1,170	-	-	-	-	-	2,226
Repayment of borrowings	(1,600)	-	(12)	(499)	-	-	-	-	-	(2,111)
Transaction cost related to loans and borrowings	(5)	-	-	(8)	-	-	-	-	-	(13)
Payment of finance lease liabilities	-	-	-	-	(13)	-	-	-	-	(13)
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	(340)	(340)
Dividend paid	-	-	-	-	-	-	-	(450)	(44)	(494)
Total change from financing cash flows	**(580)**	**-**	**19**	**663**	**(13)**	**-**	**-**	**(450)**	**(384)**	**(745)**
Total effect of changes in foreign exchange rates	1	-	-	6	-	-	(16)	-	-	(9)
Other changes										
Liability related										
Interest expense	24	-	-	106	2	-	-	-	-	132
Interest paid	(23)	-	-	(104)	(1)	-	-	-	-	(128)
Lease liability (impact of IFRS16)	-	-	-	-	88	-	-	-	-	88
Total liability-related other changes	**1**	**-**	**-**	**2**	**89**	**-**	**-**	**-**	**-**	**92**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**		**721**	**417**	**1,260**	**2,398**
Balance at 31 December 2019	**1,200**	**-**	**31**	**3,700**	**76**	**2,996**	**(3,226)**	**641**	**2,371**	**7,789**

26. Provisions

In millions of EUR

	Employee benefits	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Provision for lawsuits and litigations**	**Other**	**Total**
Balance at 1 January 2020	**40**	**68**	**182**	**1**	**31**	**322**
Provisions made during the year	6	84	10	-	1	101
Provisions used during the year	(2)	(65)	(3)	-	(3)	(73)
Provisions released during the year	-	-	-	-	(1)	(1)
Unwind of discount(1)	-	-	2	-	-	2
Disposed entities	-	(18)	(2)	-	(6)	(26)
Effect of movements in foreign exchange rates	(1)	(3)	(1)	-	-	(5)
Balance at 31 December 2020	**43**	**66**	**188**	**1**	**22**	**320**
Non-current	**42**	**-**	**183**	**1**	**21**	**247**
Current	**1**	**66**	**5**	**-**	**1**	**73**

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

In millions of EUR

	Employee benefits	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Provision for lawsuits and litigations**	**Other**	**Total**
Balance at 1 January 2019	**36**	**40**	**195**	**1**	**33**	**305**
Provisions made during the year	4	67	3	-	5	79
Provisions used during the year	(1)	(39)	(3)	-	(1)	(44)
Provisions released during the year	-	-	(17)	-	(7)	(24)
Unwind of discount(1)	-	-	3	-	-	3
PPA correction	-	-	2	-	-	2
Effect of movements in foreign exchange rates	1	-	(1)	-	1	1
Balance at 31 December 2019	**40**	**68**	**182**	**1**	**31**	**322**
Non-current	**39**	**-**	**177**	**1**	**22**	**239**
Current	**1**	**68**	**5**	**-**	**9**	**83**

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

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 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 43 million (2019: EUR 40 million) were recorded mainly by Stredoslovenská energetika, a.s., Stredoslovenská distribučná, a.s., NAFTA a.s., NAFTA Germany GmbH, SPP-distribúcia, a.s. and eustream, a.s.

The most significant provisions in amount of EUR 14 million (2019: EUR 13 million) were recorded by NAFTA Germany and its subsidiaries and in amount of EUR 12 million (2019: EUR 11 million) by Stredoslovenská energetika Holding, a.s. and Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.).

I. 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 Companies in 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 Companies had created expectations on the part of its employees that it will continue to provide the benefits and it is management’s judgement that it is not probable that the Group will cease to provide them.

II. 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 providing 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_2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

PROVISION FOR RESTORATION AND DECOMMISSIONING

The provision of EUR 187 million (2019: 182 million) was primarily recorded by NAFTA a.s. EUR 92 million (2019: EUR 90 million), NAFTA Germany GmbH EUR 71 million (2019: EUR 66 million), POZAGAS a.s. EUR 12 million (2019: EUR 12 million), eustream, a.s. EUR 6 million (2019: EUR 6 million) and SPP Storage, s.r.o. EUR 4 million (2019: EUR 4 million).

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 (2020: 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 (2020: 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.

Provisions

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	2019
	Profit (loss)	Profit (loss)
Decrease of expected cost of 10%	16	15
Increase of expected costs of 10%	(16)	(15)
Increase of inflation rate of 1%	(40)	(39)
Increase of discount rate of 1%	30	28

27. Deferred income

In millions of EUR

	31 December 2020	31 December 2019
Government grants	90	91
Other deferred income	19	22
Total	**109**	**113**
Non-current	85	88
Current	24	25
Total	**109**	**113**

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 includes the grants allocated by the European Commission for various business projects.

Balance of other deferred income in amount of EUR 19 million (2019: EUR 22 million) consists mainly of deferred income recognized by EP Cargo a.s. in the amount of EUR 11 million (2019: EUR 13 million), which 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.

28. Financial instruments

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In millions of EUR

	31 December 2020	31 December 2019
Assets carried at amortized cost		
Loans to other than credit institutions	38	9
of which receivables from related parties	*8*	*8*
Total	**38**	**9**
Assets carried at fair value		
Hedging: *of which*	24	63
Commodity derivatives cash flow hedge(1)	*24*	*63*
Non-hedging: *of which*	1	1
Currency derivatives reported as trading	*1*	*1*
Equity instruments at fair value through OCI: *of which*	13	12
Shares and interim certificates at fair value through OCI	*13*	*12*
Total	**38**	**76**
Non-current	38	15
of which owed by other Group related companies	*8*	*8*
Current	38	70
Total	**76**	**85**

(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 arising from purchase and from sale of electricity, as part of its activities as supplier of electricity to final customers. The effectiveness of the hedging relationship is typically assessed by comparison of hedged volume to actual volumes sourced or delivered. 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
Liabilities carried at fair value		
Hedging: *of which*	88	137
Interest rate swaps cash flow hedge	*63*	*100*
Commodity derivatives cash flow hedge	*24*	*35*
Currency forwards cash flow hedge	*1*	*2*
Non-hedging: *of which*	143	68
Interest rate swaps reported as trading	*143*	*68*
Total	**231**	**205**
Non-current	133	161
Current	98	44
Total	**231**	**205**

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

In millions of EUR

	31 December 2020			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	2,015	(2,020)	24	(88)
Interest rate swaps cash flow hedge	*1,572*	*(1,577)*	-	*(63)*
Commodity derivatives cash flow hedge	*367*	*(366)*	*24*	*(24)*
Currency forwards cash flow hedge	*76*	*(77)*	-	*(1)*
Non-hedging: *of which*	2,179	(2,239)	1	(143)
Interest rate swaps reported as trading	*2,088*	*(2,150)*	-	*(143)*
Commodity derivatives reported as trading	*2*	*(2)*	-	-
Currency forwards reported as trading	*89*	*(87)*	*1*	-
Total	**4,194**	**(4,259)**	**25**	**(231)**

In millions of EUR

	31 December 2019			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	1,901	(1,914)	63	(137)
Interest rate swaps cash flow hedge	*1,385*	*(1,385)*	*-*	*(100)*
Commodity derivatives cash flow hedge	*378*	*(387)*	*63*	*(35)*
Currency forwards cash flow hedge	*138*	*(142)*	*-*	*(2)*
Non-hedging: *of which*	1,082	(1,080)	1	(68)
Interest rate swaps reported as trading	*1,000*	*(1,000)*	*-*	*(68)*
Commodity derivatives reported as trading	*3*	*(3)*	*-*	*-*
Currency forwards reported as trading	*79*	*(77)*	*1*	*-*
Total	**2,983**	**(2,994)**	**64**	**(205)**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 33 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity and gas, which are denominated in CZK and EUR with maturity up to one year and where the contractual condition of derivatives does not meet the "own use exemption" as noted in IFRS 9.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 32 – Risk management policies and disclosures.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

In general, financial instruments carried at fair value are measured based on quoted market prices at the reporting date. If the market for a financial instrument is not active, fair value is established using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information that market participants would use in setting a price for the financial instrument.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments

In millions of EUR

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: of which	-	24	-	**24**
Commodity derivatives cash flow hedge	-	*24*	-	***24***
Non-hedging: of which		1	-	**1**
Currency forwards reported as trading		*1*	-	***1***
Equity instruments at fair value through OCI: of which	-	-	12	**12**
Shares and interim certificates at fair value through OCI	-	-	*12*	***12***
Total	**-**	**25**	**12**	**37**
Financial liabilities carried at fair value:				
Hedging: of which	-	88	-	**88**
Interest rate swaps cash flow hedge	-	*63*	-	***63***
Commodity derivatives cash flow hedge	-	*24*	-	***24***
Currency forwards cash flow hedge	-	*1*	-	***1***
Non-hedging: of which	-	143	-	**143**
Interest rate swaps reported as trading	-	*143*	-	***143***
Total	**-**	**231**	**-**	**231**

In millions of EUR

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: of which	-	63	-	**63**
Commodity derivatives cash flow hedge	-	*63*	-	***63***
Non-hedging: of which		1	-	**1**
Currency forwards reported as trading		*1*	-	***1***
Equity instruments at fair value through OCI: of which	-	-	12	**12**
Shares and interim certificates at fair value through OCI	-	-	*12*	***12***
Total	**-**	**64**	**12**	**76**
Financial liabilities carried at fair value:				
Hedging: of which	-	137	-	**137**
Interest rate swaps cash flow hedge	-	*100*	-	***100***
Commodity derivatives cash flow hedge	-	*35*	-	***35***
Currency forwards cash flow hedge	-	*2*	-	***2***
Non-hedging: of which	-	68	-	**68**
Interest rate swaps reported as trading	-	*68*	-	***68***
Total	**-**	**205**	**-**	**205**

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

In millions of EUR

	Carrying value 31 December 2020	Fair value 31 December 2020
Financial assets		
Loans to other than credit institutions	37	37
Financial instruments held at amortised costs*	**37**	**37**
Financial liabilities		
Loans and borrowings	**4,542**	**4,606**

In millions of EUR

	Carrying value 31 December 2019	Fair value 31 December 2019
Financial assets		
Loans to other than credit institutions	9	9
Financial instruments held at amortised costs*	**9**	**9**
Financial liabilities		
Loans and borrowings	**5,007**	**5,061**

* The fair value of trade receivables and other receivables and trade payables and other liabilities equal to its carrying amount.

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

The following information pertains to contracts on delivery or sale of emission rights. These contracts do not meet the IFRS 9 criteria for derivatives (refer to Note 3(f) – Derivative financial instruments – Transactions with emission rights and energy) and are reported as off-balance sheet items, not derivatives. The management carefully assessed conditions of the contracts and concluded that all contracts are intended to be settled via physical delivery needed for consumption or physically delivered quantities shall be sold as part of its ordinary business, therefore the contracts are not reported as derivatives.

FORWARD OPERATIONS

As at 31 December 2020 the Group is contractually obliged to purchase 2,007,822 pieces (2019: 2,175,207 pieces) of emission rights at an average price 25.01 EUR/piece (2019: 24.39 EUR/piece).

29. Trade payables and other liabilities

In millions of EUR

	31 December 2020	31 December 2019
Trade payables	135	181
Payroll liabilities	45	44
Estimated payables	38	45
Uninvoiced supplies	27	20
Other tax liabilities	9	30
Accrued expenses	3	2
Advance payments received	2	2
Liabilities to partners and associations	1	1
Other liabilities	64	55
Total	**324**	**380**
Non-current	*4*	*7*
Current	*320*	*373*
Total	**324**	**380**

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

As at 31 December 2020 and 2019 the fair value of trade payables and other liabilities equal to its carrying amount.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 32 – Risk management policies.

30. Commitments and contingencies

OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2020	31 December 2019
Commitments	373	431
Other granted guarantees and warranties	12	-
Total	**385**	**431**

COMMITMENTS

Majority of 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 21 million (2019: EUR 24 million) are recognised by SSE Group, EUR 40 million (2019: EUR 60 million) recognised by eustream. Remaining EUR 39 million (2019: EUR 36 million) arise from different type of service contracts.

OFF BALANCE SHEET ASSET

In millions of EUR

	31 December 2020	31 December 2019
Received promises	1,233	1,431
Other received guarantees and warranties	133	156
Total	**1,366**	**1,587**

RECEIVED PROMISES

Received promises mainly comprise the loan commitments received by the various companies within the Group in amount of EUR 884 million (2019: EUR 984 million). Contracts for the future sale of energy in amount of EUR 349 million (2019: EUR 359 million) and regulatory contingent assets related to green energy of EUR 0 million (2019: 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. and guarantees received from banks of EUR 21 million (2019: EUR 64 million) recognised by NAFTA a.s.

31. Leases

A LEASES AS A LESSEE

The Group leases buildings, pipelines, locomotives and wagons and personal cars. The leases have various lease terms and run under various period of time. For some leases, the Group has an option to renew the lease after the end of the lease term.

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

RIGHT-OF-USE ASSETS

Right-of-use assets related to leased land and buildings and technical equipment, plant and machinery that do not meet the definition of investment property are presented as property, plant and equipment (refer to Note 16).

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 January 2020	**37**	**36**	**73**
Depreciation charge for the year	(5)	(8)	(13)
Additions to right-of-use assets	4	3	7
Disposed entities	(9)	-	(9)
Effects of movements in foreign exchange rate	-	(1)	(1)
Balance at 31 December 2020	**27**	**30**	**57**
Balance at 1 January 2019	**41**	**43**	**84**
Depreciation charge for the year	(5)	(8)	(13)
Additions to right-of-use assets	1	2	3
Effects of movements in foreign exchange rate	-	(1)	(1)
Balance at 31 December 2019	**37**	**36**	**73**

MATURITY ANALYSIS OF LEASE LIABILITIES

In millions of EUR

	31 December 2020	31 December 2019
Undiscounted contractual cash flows by maturity		
Up to 3 months	3	4
3 months to 1 year	9	10
1–5 years	32	38
Over 5 years	17	31
Total undiscounted contractual cash flows	**61**	**83**
Carrying amount	**58**	**76**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2020	2019
Depreciation charge for the year	(13)	(13)
Interest on lease liabilities	(2)	(2)
Expenses related to short-term leases	(1)	-
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(1)	(1)
Expenses related to variable lease payments not included in measurement of lease liability	(1)	(1)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(1)	(1)

AMOUNTS RECOGNIZED IN STATEMENT OF CASH FLOWS

In millions of EUR

	2020	2019
Total cash outflow for leases	(14)	(13)

B LEASES AS A LESSOR

OPERATING LEASE

During the year ended 31 December 2020, no income (2019: EUR 0 million) was recognised as income in profit or loss in respect of operating leases.

32. Risk management

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 and concentration 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 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 and of Heat Infra segment are required to pay prepayments which further decrease credit risk.

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	Banks	Individuals	Other	Total
Assets						
Cash and cash equivalents	1	-	708	-	-	**709**
Restricted cash	-	-	3	-	-	**3**
Contract assets	54	-	-	-	-	**54**
Trade receivables and other assets	225	91	10	-	35	**361**
Financial instruments and other financial assets	72	-	4	-	-	**76**
Total	**352**	**91**	**725**	**-**	**35**	**1,203**

AS AT 31 DECEMBER 2019

In millions of EUR

	Corporate (non-financial institutions)	State, government	Banks	Individuals	Other	Total
Assets						
Cash and cash equivalents	-	-	674	-	-	**674**
Restricted cash	-	-	4	-	-	**4**
Contract assets	59	-	-	-	-	**59**
Trade receivables and other assets	276	140	2	-	49	**467**
Financial instruments and other financial assets	63	-	22	-	-	**85**
Total	**398**	**140**	**702**	**-**	**49**	**1,289**

CREDIT RISK BY LOCATION OF DEBTOR

AS AT 31 DECEMBER 2020

In millions of EUR

	Slovakia	Czech Republic	United Kingdom	Netherlands	Germany	Hungary	Other	Total
Assets								
Cash and cash equivalents	423	258	-	4	24	-	-	**709**
Restricted cash	1	2	-	-	-	-	-	**3**
Contract assets	22	31	-	-	-	-	1	**54**
Trade receivables and other assets	170	104	11	-	8	3	65	**361**
Financial instruments and other financial assets	3	33	4	1	-	27	8	**76**
Total	**619**	**428**	**15**	**5**	**32**	**30**	**74**	**1,203**

AS AT 31 DECEMBER 2019

In millions of EUR

	Slovakia	Czech Republic	United Kingdom	Netherlands	Germany	Hungary	Other	Total
Assets								
Cash and cash equivalents	445	172	-	13	30	14	-	**674**
Restricted cash	-	1	-	-	-	3	-	**4**
Contract assets	23	27	-	-	-	-	9	**59**
Trade receivables and other assets	219	127	11	1	12	20	77	**467**
Financial instruments and other financial assets	5	20	36	-	-	1	23	**85**
Total	**692**	**347**	**47**	**14**	**42**	**38**	**109**	**1,289**

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 details see note 3(d).

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

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

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2020	**-**	**(6)**	**(20)**	**-**	**(26)**
Transfer	-	1	(1)	-	**-**
Impairment losses recognised during the year	-	(2)	(5)	-	**(7)**
Reversal of impairment losses recognised during the year	-	1	1	-	**2**
Write-offs	-	-	1	-	**1**
Change due to outgoing entities	-	-	1	-	**1**
Effects of movements in foreign exchange rate	-	-	-	-	**-**
Balance at 31 December 2020	**-**	**(6)**	**(23)**	**-**	**(29)**

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2019	**-**	**(5)**	**(24)**	**-**	**(29)**
Impairment losses recognised during the year	-	(1)	(4)	-	**(5)**
Reversal of impairment losses recognised during the year	-	-	1	-	**1**
Write-offs	-	-	7	-	**7**
Effects of movements in foreign exchange rate	-	-	-	-	**-**
Balance at 31 December 2019	**-**	**(6)**	**(20)**	**-**	**(26)**

The most significant changes which contributed to change in the loss allowance during the period was write-off of the financial assets and change in the gross carrying amount of trade receivables.

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
Balance at 1 January 2020	**(6)**	**-**	**(20)**	**(26)**
Impairment losses recognised during the year	(1)	-	(6)	**(7)**
Change due to outgoing entities	-	-	1	**1**
Reversals of impairment losses recognised during the year	-	-	2	**2**
Write-offs	-	-	2	**2**
Effects of movements in foreign exchange rate	-	-	-	**-**
Balance at 31 December 2020	**(7)**	**-**	**(21)**	**(28)**

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Balance at 1 January 2019	**(4)**	**-**	**(25)**	**(29)**
Impairment losses recognised during the year	(3)	-	(2)	**(5)**
Reversals of impairment losses recognised during the year	1	-	-	**1**
Write-offs	-	-	7	**7**
Effects of movements in foreign exchange rate	-	-	-	**-**
Balance at 31 December 2019	**(6)**	**-**	**(20)**	**(26)**

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2020

In millions of EUR

	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	54	37	355	**446**
After maturity (net)	-	-	6	**6**
Total	**54**	**37**	**361**	**452**
A – Assets (gross)				
– before maturity	54	44	359	457
– after maturity <30 days	-	-	3	**3**
– after maturity 31–180 days	-	-	3	**3**
– after maturity 181–365 days	-	-	2	**2**
– after maturity >365 days	-	-	15	**15**
Total assets (gross)	**54**	**44**	**382**	**480**
B – Loss allowances for assets				
– before maturity	-	(7)	(5)	**(12)**
– after maturity 31–180 days	-	-	(1)	**(1)**
– after maturity 181–365 days	-	-	(1)	**(1)**
– after maturity >365 days	-	-	(15)	**(15)**
Total loss allowances	**-**	**(7)**	**(22)**	**(29)**
Total assets (net)	**54**	**37**	**360**	**451**

AS AT 31 DECEMBER 2019

In millions of EUR

	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	59	8	453	**520**
After maturity (net)	-	-	14	**14**
Total	**59**	**8**	**467**	**534**
A – Assets (gross)				
– before maturity	59	14	457	530
– after maturity <30 days	-	-	11	**11**
– after maturity 31–180 days	-	-	2	**2**
– after maturity 181–365 days	-	-	2	**2**
– after maturity >365 days	-	-	15	**15**
Total assets (gross)	**59**	**14**	**487**	**560**
B – Loss allowances for assets				
– before maturity	-	(6)	(4)	**(10)**
– after maturity <30 days	-	-	-	**-**
– after maturity 31–180 days	-	-	(1)	**(1)**
– after maturity 181–365 days	-	-	(1)	**(1)**
– after maturity >365 days	-	-	(14)	**(14)**
Total loss allowances	**-**	**(6)**	**(20)**	**(26)**
Total assets (net)	**59**	**8**	**467**	**534**

Impairment losses on financial assets at amortized cost are calculated based on a 3-stage model. Impairment losses from credit impaired financial assets relate either to trade receivables due from several customers which have already been impaired at the date of the application of a 3-stage model or to receivables where events that have a detrimental impact on the estimated future cash flows of the asset have occurred. Remaining amount of impairment losses represents loss allowances at an amount equal to expected credit losses.

Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on historical provision matrix. Probability of default is taken from a historical provision matrix (set up separately by each component) with element of forward-looking information (the group incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was not significant as at 31 December 2020.

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

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting provision 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 while for assets the latest possible repayment date is disclosed. Those liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

MATURITIES OF FINANCIAL LIABILITIES

AS AT 31 DECEMBER 2020

In millions of EUR

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	(2)**4,542**	4,829	120	575	2,243	1,891
Trade payables and other liabilities	(3)**322**	322	229	89	4	-
Financial instruments and financial liabilities	**231**	231	2	20	192	17
Total	**5,095**	**5,382**	**351**	**684**	**2,439**	**1,908**
Net liquidity risk position	**(3,995)**	**(4,282)**	**564**	**(568)**	**(2,373)**	**(1,905)**

* 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 disregard discounting to net present value and include potential future interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 884 million.
(3) Advances received in amount of EUR 2 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Inflow/outflow of derivatives represents nominal values of derivatives.

AS AT 31 DECEMBER 2019

In millions of EUR

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	(2)**5,007**	5,400	35	944	2,474	1,947
Trade payables and other liabilities	(3)**378**	378	307	64	7	-
Financial instruments and financial liabilities	**205**	228	17	43	127	41
Total	**5,590**	**6,006**	**359**	**1,051**	**2,608**	**1,988**
Net liquidity risk position	**(4,360)**	**(4,791)**	**604**	**(851)**	**(2,558)**	**(1,986)**

* Contract liabilities in amount of EUR 167 million are not shown in the table above as these items are not expected to cause any future cash outflow.
(1) Contractual cash flows disregard discounting to net present value and include potential future interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 394 million.
(3) Advances received in amount of EUR 2 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Inflow/outflow of derivatives represents nominal values of derivatives.

C INTEREST RATE RISK

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount lower than or equal to that of the underlying financial liability and expiry date, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 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
Assets					
Cash and cash equivalents	709	-	-	-	**709**
Restricted cash	1	1	1	-	**3**
Trade receivables and other assets	3	-	1	357	**361**
Financial instruments and other financial assets[1]	2	35	-	39	**76**
Total	**715**	**36**	**2**	**396**	**1,149**
Liabilities					
Loans and borrowings[2]	1,562	529	2,425	26	**4,542**
Trade payables and other liabilities	4	-	-	320	**324**
Financial instruments and financial liabilities[1]	71	-	-	160	**231**
Total	**1,637**	**529**	**2,425**	**506**	**5,097**
Net interest rate risk position	**(922)**	**(493)**	**(2,423)**	**(110)**	**(3,948)**
Effect of interest rate swaps	2,330	(790)	(1,540)	-	-
Net interest rate risk position (incl. IRS)	**1,408**	**(1,283)**	**(3,963)**	**(110)**	**(3,948)**

(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 28 – Financial instruments.

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

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	674	-	-	-	**674**
Restricted cash	3	-	-	1	**4**
Trade receivables and other assets	-	-	-	467	**467**
Financial instruments and other financial assets[1]	1	8	-	76	**85**
Total	**678**	**8**	**-**	**544**	**1,230**
Liabilities					
Loans and borrowings[2]	2,075	1,266	1,596	70	**5,007**
Trade payables and other liabilities	3	-	-	377	**380**
Financial instruments and financial liabilities[1]	168	-	-	37	**205**
Total	**2,246**	**1,266**	**1,596**	**484**	**5,592**
Net interest rate risk position	**(1,568)**	**(1,258)**	**(1,596)**	**60**	**(4,362)**
Effect of interest rate swaps	2,330	(580)	(1,750)	-	-
Net interest rate risk position (incl. IRS)	**762**	**(1,838)**	**(3,346)**	**60**	**(4,362)**

(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 28 – Financial instruments.

SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised interest rate shock, for financial assets and liabilities to be repriced in 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 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)	2019 Profit (loss)
Decrease in interest rates by 1%	(18)	(8)
Increase in interest rates by 1%	17	7

The analysis stated above does not reflect the impact of changes in interest rates on the fair value of derivatives.

D FOREIGN EXCHANGE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other that the respective functional currencies of Group entities, primarily EUR 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 functional currency against the foreign 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 single Companies level.

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	EUR	HUF	HRK
Assets				
Cash and cash equivalents	-	144	-	-
Trade receivables and other assets	-	205	-	-
Financial instruments and other financial assets	-	1,792	-	-
	-	**2,141**	**-**	**-**
Off balance sheet assets				
Receivables from derivative operations	-	186	13	-
	-	**186**	**13**	**-**
Liabilities				
Loans and borrowings	-	2,702	-	-
Trade payables and other liabilities	-	68	-	-
Financial instruments and financial liabilities	-	59	-	-
	-	**2,829**	**-**	**-**
Off balance sheet liabilities				
Payables related to derivative operations	-	218	-	-
	-	**218**	**-**	**-**
Net FX risk position	**-**	**(687)**	**-**	**-**
Effect of forward exchange contracts	**-**	**(33)**	**13**	**-**
Effect of cash flow hedge of FX risk(1)	**-**	**980**	**-**	**-**
Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)	**-**	**260**	**13**	**-**

(1) The amount relates to a cash flow hedge recognized by the Group's entities in its 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	EUR	HUF	HRK
Assets				
Cash and cash equivalents	3	6	-	-
Trade receivables and other assets	-	2	-	-
Financial instruments and other financial assets	-	505	-	-
	3	**3**	**-**	**-**
Off balance sheet assets				
Receivables from derivative operations	-	133	9	-
	-	**133**	**9**	**-**
Liabilities				
Loans and borrowings	2	4	-	-
Trade payables and other liabilities	-	-	-	-
Financial instruments and financial liabilities	-	-	-	-
	2	**4**	**-**	**-**
Off balance sheet liabilities				
Payables related to derivative operations	-	166	-	-
	-	**166**	**-**	**-**
Net FX risk position	**1**	**(943)**	**-**	**-**
Effect of forward exchange contracts	**-**	**(33)**	**9**	**-**
Effect of cash flow hedge of FX risk[1]	**-**	**945**	**-**	**-**
Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)	**1**	**(31)**	**9**	**-**

(1) The amount relates to a cash flow hedge recognized by the Group's entities in its stand-alone 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 28 – Financial instruments for more details).

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

SENSITIVITY ANALYSIS

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR and HUF at the reporting date would have increased (decreased) net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in millions of EUR

	2020 Profit (loss)	2019 Profit (loss)
EUR (5% strengthening)	117	47
HUF (5% strengthening)	-	-

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 28 – 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: negative 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: EUR 6 million).

A 5% change in the market of the electricity would have no impact on the fair value of trading derivatives in 2020 and 2019.

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 is 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 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 is expected to be extended by one additional year until 31 December 2022.

G CONCENTRATION RISK

Major part of gas transmission, gas and power distribution and gas storage revenues, which are primarily recognized 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 recognized 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.

In millions of EUR

	31 December 2020	31 December 2019
Proportionate Gross Debt*	3,524	3,839
Less: Proportionate cash and cash equivalents*	436	358
Proportionate net debt	**3,088**	**3,481**
Proportionate EBITDA*	880	887
Proportionate net debt to proportionate EBITDA*	**3.51**	**3.93**

* The terms Proportionate Gross Debt, Proportionate cash and cash equivalents, Proportionate EBITDA and Proportionate net debt to proportionate EBITDA do not represent any such terms as might be included in any financing documentation of the EPIF Group. Proportionate values are calculated as values reported by individual companies (incl. eliminations and consolidation adjustments) multiplied by effective shareholding of the Company in them. In 2020 proportionate EBITDA neglects pro-forma EBITDA impacts of disposed entities that are consolidated until their respective disposal date.

The Group also monitors its debt to adjusted capital ratio. At the end of the reporting period the ratio was as follows:

In millions of EUR

	31 December 2020	31 December 2019
Total liabilities	7,590	7,777
Less: cash and cash equivalents	709	674
Net debt	**6,881**	**7,103**
Total equity attributable to the equity holders	1,069	411
Less: Other capital reserves related to common control transactions	(4,526)	(4,526)
Less: amounts accumulated in equity relating to cash flow hedges	(102)	(100)
Adjusted capital	**5,697**	**5,037**
Debt to adjusted capital	**1.21**	**1.41**

I HEDGE ACCOUNTING

The balance as at 31 December 2020 represents primarily derivative agreements to hedge an interest rate, an 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 EPIF 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 73 million (positive impact on profit or loss) including non-controlling interest from hedging reserves to profit or loss (2019: EUR 36 million (positive impact on profit or loss)).

The following table provides a reconciliation of amounts recorded in equity attributable to owners of the Company by category of hedging instrument:

In millions of EUR

	Commodity derivatives – cash flow hedge(1)	Interest rate swaps – cash flow hedge	Total
Balance at 1 January 2020	**(2)**	**(98)**	**(100)**
Cash flow hedges reclassified to profit or loss	(26)	(10)	(36)
Deferred tax – cash flow hedges reclassified to profit or loss	10	(8)	2
Revaluation of cash flow hedges	37	5	42
Disposed entities	(8)	(1)	(9)
Deferred tax – cash flow hedges revaluation	(10)	-	(10)
Balance at 31 December 2020	**1**	**(112)**	**(111)**

(1) Including also hedge for foreign currency risk.

In millions of EUR

	Commodity derivatives – cash flow hedge(1)	Interest rate swaps – cash flow hedge	Total
Balance at 1 January 2019	**(7)**	**(40)**	**(47)**
Cash flow hedges reclassified to profit or loss	(11)	6	(5)
Deferred tax – cash flow hedges reclassified to profit or loss	1	(1)	-
Revaluation of cash flow hedges	19	(78)	(59)
Deferred tax – cash flow hedges revaluation	(4)	15	11
Balance at 31 December 2019	**(2)**	**(98)**	**(100)**

(1) Including also hedge for foreign currency risk.

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 a foreign currency cash flow hedge reserve of positive EUR 14 million (2019: negative EUR 14 million). The Group derecognized foreign currency cash flow hedge reserve of EUR 10 million as a result of the disposed entities. For risk management policies, refer to Note 32 (d) and (e) – Risk management policies and disclosures.

CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF GAS

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales of gas. The hedging instruments are commodity swaps to hedge selling price for entities surplus of gas in-kind. A decline in the prices could result in a decrease in net income and cash flows. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 2 million (2019: positive EUR 19 million). For risk management policies, refer to Note 32 (d) and (e) – Risk management policies and disclosures.

The following tables provides 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			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	2	2	26	26
3 months to 1 year	18	10	231	222
1–5 years	3	11	106	114
Over 5 years	-	1	4	4
Total	**23**	**24**	**367**	**366**

In millions of EUR

	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	39	18	255	263
1–5 years	6	-	23	23
Over 5 years	-	1	12	13
Total	**63**	**35**	**378**	**387**

The following tables provides 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			
	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	42
1–5 years	-	-	22	22
Over 5 years	-	-	-	-
Total	**-**	**1**	**76**	**77**

In millions of EUR

	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	-	-	-	-
Total	**-**	**2**	**138**	**142**

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 58 million). For risk management policies, refer to Note 33 (c) – Risk management policies and disclosures.

The following tables provides 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			
	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	-	62	1,551	1,555
Over 5 years	-	-	-	-
Total	**-**	**63**	**1,572**	**1,577**

In millions of EUR

	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	-	90	169	169
Over 5 years	-	5	1,170	1,170
Total	**-**	**100**	**1,385**	**1,385**

33. Related parties

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

A THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019 WAS AS FOLLOWS

In millions of EUR

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	2020	2020	2019	2019
Ultimate shareholder(1)	-	-	-	-
Companies controlled by ultimate shareholders	40	39	26	36
Companies under significant influence by ultimate shareholders	3	16	2	11
Associates	8	-	8	-
Other Related party	-	-	-	-
Total	**51**	**55**	**36**	**47**

(1) Daniel Křetínský represents the ultimate shareholder.

B THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019 WAS AS FOLLOWS

In millions of EUR

	Revenues	Expenses	Revenues	Expenses
	2020	2020	2019	2019
Ultimate shareholder(1)	-	-	-	-
Companies controlled by ultimate shareholders	52	118	71	91
Companies under significant influence by ultimate shareholders	26	127	23	87
Associates	-	-	-	-
Other Related party	-	-	-	-
Total	**78**	**245**	**94**	**178**

(1) Daniel Křetínský represents the ultimate shareholder.

TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

For the financial years ended 31 December 2020 and 2019 the EPIF 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. and EP ENERGY TRADING, a.s.

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	66	65
Compensation, fees and rewards	4	4
Compulsory social security contributions	1	1
Total	**5**	**5**

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.

34. 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	Segment	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
EP Infrastructure, a.s.*	Czech Republic	Holding entities						
EP Energy, a.s. *	Czech Republic	Holding entities	100	Direct	100	Direct	Full	Full
AISE, s.r.o.	Czech Republic	Other	80	Direct	80	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
PT Koncept, a.s.	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
TERMONTA PRAHA a.s.	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
ENERGOPROJEKTA plan s.r.o.	Czech Republic	Heat Infra	-	-	50.5	Direct	-	Full
PT Transit, a.s.(1)	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
PT Distribuční, s.r.o.	Czech Republic	Heat Infra	-	-	85	Direct	-	Equity
PT měření, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
Střelničná reality s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	Full	-
Malešice Reality s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	Full	-
Zálesí Reality s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	Full	-
EPRE Reality s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	Full	-
Power Reality s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	Full	-
Lirostana s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	Full	-
PT Transit, a.s.(1)	Czech Republic	Heat Infra	-	-	-	-	-	Full
PT Holding Investment B.V.*	Netherlands	Heat Infra	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. v likvidaci*	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
NPTH, a.s. v likvidaci*	Czech Republic	Heat Infra	-	-	100	Direct	-	Full
United Energy, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
GABIT spol. s r.o.	Czech Republic	-	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	Gas and power distribution	100	Direct	100	Direct	Full	Full
VTE Moldava II, a.s.*	Czech Republic	Other	100	Direct	100	Direct	Full	Full

			31 December 2020		31 December 2019		2020	2019
	Country of incorporation	Segment	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
MR TRUST s.r.o.*	Czech Republic	Other	100	Direct	100	Direct	Full	Full
ARISUN, s.r.o.	Slovakia	Other	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	Other	41.70	Direct	41.70	Direct	Equity	Equity
POWERSUN a.s.	Czech Republic	Other	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	Other	100	Direct	100	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	Other	100	Direct	64	Direct	Full	Full
Alternative Energy, s.r.o.(2)	Slovakia	Other	90	Direct	-	-	Full	Full
CHIFFON ENTERPRISES LIMITED*	Cyprus	Other	-	-	100	Direct	-	Full
Claymore Equity, s.r.o.*	Slovakia	Other	-	-	100	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	Other	-	-	90	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	Heat infra	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	Heat infra	100	Direct	100	Direct	Full	Full
Farma Lístek, s.r.o.	Czech Republic	Heat infra	100	Direct	-	-	Full	-
Stredoslovenská energetika Holding, a.s.	Slovakia	Gas and power distribution	49	Direct	49	Direct	Full	Full
Stredoslovenská distribučná, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
Kinet s.r.o.	Slovakia	Gas and power distribution	80	Direct	-	-	Full	-
Kinet Inštal s.r.o.	Slovakia	Gas and power distribution	100	Direct	-	-	Full	-
Elektroenergetické montáže, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
SSE – Metrológia s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika – Project Development, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
SPX, s.r.o.	Slovakia	Gas and power distribution	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	Gas and power distribution	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	Gas and power distribution	100	Direct	100	Direct	Full	Full
SPV100, s.r.o.	Slovakia	-	100	Direct	100	Direct	At cost	At cost
SSE – MVE, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	-	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	-	100	Direct	100	Direct	Full	Full
Patamon a.s.	Czech Republic	-	100	Direct	-	-	At cost	-

	Country of incorporation	Segment	31 December 2020		31 December 2019		2020	2019
			Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
Budapesti Erőmű Zrt.	Hungary	Heat Infra	-	-	95.62	Direct	-	Full
KÖBÁNYAHŐ Kft.	Hungary	Heat Infra	-	-	25	Direct	-	At cost
Energia-pro Zrt.	Hungary	Heat Infra	-	-	-	-	-	-
ENERGZET SERVIS a.s.	Czech Republic	-	-	-	100	Direct	-	Full
Plzeňská teplárenská, a.s.	Czech Republic	Heat Infra	35	Direct	35	Direct	Full	Full
Plzeňská teplárenská SERVIS IN a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Full	Full
Plzeňské služby s.r.o.	Czech Republic	-	100	Direct	-	-	At cost	-
Plzeňské služby facility s.r.o.	Czech Republic	-	100	Direct	-	-	At cost	-
Claymore Equity, s.r.o. v likvidácii(3)*	Slovakia	Other	100	Direct	-	-	Full	Full
Czech Gas Holding Investment B.V.*	Netherlands	Holding entities	100	Direct	100	Direct	Full	Full
NAFTA a.s.	Slovakia	Gas storage	40.45	Direct	40.45	Direct	Full	Full
Karotáž a cementace, s.r.o.	Czech Republic	-	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	Gas storage	65	Direct	65	Direct	Full	Full
NAFTA Services, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Full	Full
EP Ukraine B.V.	Netherlands	Gas storage	10	Direct	10	Direct	Full	Full
Slovakian Horizon Energy, s.r.o.	Slovakia	Gas storage	50	Direct	-	-	Equity	-
Nafta Exploration d.o.o.	Croatia	Gas storage	100	Direct	-	-	Full	-
NAFTA International B.V.*	Netherlands	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Germany GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Bavaria GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Speicher Management GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Speicher GmbH&Co. KG	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Speicher Inzenham GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA RV	Ukraine	Gas storage	100	Direct	100	Direct	Full	Full
CNG Holdings Netherlands B.V.	Netherlands	Gas storage	50	Direct	50	Direct	Equity	Equity
CNG LLC	Ukraine	Gas storage	100	Direct	100	Direct	Equity	Equity
EPH Gas Holding B.V.*	Netherlands	Holding entities	100	Direct	100	Direct	Full	Full
Seattle Holding B.V.*	Netherlands	Holding entities	100	Direct	100	Direct	Full	Full
Slovak Gas Holding B.V.*	Netherlands	Holding entities	100	Direct	100	Direct	Full	Full
SPP Infrastructure, a.s.	Slovakia	Holding entities	49	Direct	49	Direct	Full	Full
eustream, a.s.	Slovakia	Gas transmission	100	Direct	100	Direct	Full	Full
Central European Gas HUB AG	Austria	-	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	Gas transmission	100	Direct	100	Direct	Full	Full

	Country of incorporation	Segment	31 December 2020		31 December 2019		2020	2019
			Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
Plynárenská metrológia, s.r.o.	Slovakia	Holding entities	100	Direct	100	Direct	Full	Full
SPP-distribúcia, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
SPP-distribúcia Servis, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Full	Full
NAFTA a.s.	Slovakia	Gas storage	56.15	Direct	56.15	Direct	Full	Full
Karotáž a cementace, s.r.o.	Czech Republic	-	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	Gas storage	65	Direct	65	Direct	Full	Full
NAFTA Services, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Full	Full
EP Ukraine B.V.	Netherlands	Gas storage	10	Direct	10	Direct	Full	Full
Slovakian Horizon Energy, s.r.o.	Slovakia	Gas storage	50	Direct	-	-	Equity	-
Nafta Exploration d.o.o.	Croatia	Gas storage	100	Direct	-	-	Full	-
NAFTA International B.V.*	Netherlands	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Germany GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Bavaria GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Speicher Management GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Speicher GmbH&Co. KG	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA Speicher Inzenham GmbH	Germany	Gas storage	100	Direct	100	Direct	Full	Full
NAFTA RV	Ukraine	Gas storage	100	Direct	100	Direct	Full	Full
CNG Holdings Netherlands B.V.	Netherlands	Gas storage	50	Direct	50	Direct	Equity	Equity
CNG LLC	Ukraine	Gas storage	100	Direct	100	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	Holding entities	95.82	Direct	95.82	Direct	Full	Full
SPP Storage, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Full	Full
POZAGAS a.s.	Slovakia	Gas storage	35	Direct	35	Direct	Full	Equity
SLOVGEOTERM a.s.	Slovakia	Holding entities	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	Holding entities	0.08	Direct	0.08	Direct	Full	Full
GALANTATERM spol. s r.o.	Slovakia	Holding entities	0.5	Direct	0.5	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	Holding entities	17.5	Direct	17.5	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	Holding entities	100	Direct	100	Direct	Full	Full

* Holding entity.
(1) On 1 September 2020 PT Transit, a.s. was transferred to Lirostana s.r.o. as a part of internal reorganization and on 3 November 2020 was sold out of the Group.
(2) 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.
(3) 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.

35. Litigations and claims

PLZEŇSKÁ TEPLÁRENSKÁ, A.S. (“PLTEP”)

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. (“PE”; merged with Plzeňská teplárenská, a.s. effectively on 31 October 2018, until then Plzeňská energetika, a.s. is used in the paragraph) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice. In June 2016 SI has filed an additional claim for unjust enrichment against PE for approximately EUR 1 million. Additional claim covers period 2013–2014. The claim was further extended in 2018 to the total of ca EUR 4 million. In January 2018, another court hearing was held and the Court ruled in favor of Plzeňská energetika, a.s. SI appealed and as a result of the appeal, the legal case was returned back to the District court, the hearing will take place in April 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 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 payment of those claims are unlikely and no legal provisions were recorded as at 31 December 2020.

36. Subsequent events

On 2 March 2021, EP Infrastructure, a. s. successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in 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 Global Ratings Europe Limited affirmed EPIF’s credit rating at BBB with outlook stable.

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

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 – Disposal of investments

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

Date:	Signature of the authorised representative	
31 March 2021	Daniel Křetínský Chairman of the Board of Directors of EP Infrastructure, a.s.	Pavel Horský Member of the Board of Directors of EP Infrastructure, a.s.

Appendix 1 – Disposals of investments

The following table provides further information on the amounts of assets and liabilities disposed as at the disposal date for individually significant business disposals.

On 3 November 2020, the Group disposed 100% in Pražská teplárenská a.s. and its subsidiaries and associates. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(182)
Intangible assets	(1)
Participation with significant influence	(1)
Trade receivables and other assets	(59)
Inventories	(2)
Cash and cash equivalents	(12)
Deferred tax asset	(1)
Provisions	6
Deferred tax liabilities	20
Loans and borrowings	10
Trade payables and other liabilities	160
Net identifiable assets and liabilities	**(62)**
Non-controlling interest	-
Pricing differences	9
Translation difference recycled to OCI	(2)
Net assets value disposed	**(55)**
Gain (loss) on disposal	**444**

On 3 November 2020, the Group disposed 100% in PT Transit, a.s. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(30)
Trade receivables and other assets	(44)
Cash and cash equivalents	(1)
Deferred tax liabilities	5
Net identifiable assets and liabilities	**(70)**
Non-controlling interest	-
Translation difference recycled to OCI	-
Net assets value disposed	**(70)**
Gain (loss) on disposal	**99**

On 2 December 2020, the Group disposed 95.62% in Budapesti Erőmű Zrt. and Energia-pro Zrt. The effect of disposal is provided in the following table:

In millions of EUR

	Net assets sold in 2020
Property, plant, equipment, land, buildings	(43)
Intangible assets	(7)
Trade receivables and other assets	(23)
Financial instruments – assets	(6)
Inventories	(7)
Cash and cash equivalents	(33)
Restricted cash	(4)
Deferred tax asset	(6)
Provisions	20
Deferred tax liabilities	6
Trade payables and other liabilities	23
Net identifiable assets and liabilities	**(80)**
Non-controlling interest	3
Translation difference recycled to OCI	(7)
Net assets value disposed	**(84)**
Gain (loss) on disposal	**260**

Independent Auditor’s Report to the Statutory Financial Statements

Deloitte.

Deloitte Audit s.r.o.
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Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
EP Infrastructure, a.s.

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

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EP Infrastructure a.s. as of 31 December 2020, and of its financial performance and its 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, Regulation (EU) No. 537/2014 of the European Parliament and the Council, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EP Infrastructure a.s. is a holding company that holds equity investments in controlled entities and associates. As of the balance sheet date, these investments in entities are valued at cost and tested for impairment. The valuation depends on assumptions and estimates of future developments, financial performance of the investments and the use of discounts. These assumptions and estimates are associated with a significant degree of uncertainty.

In the aforementioned area, our audit procedures included taking inventory of the equity investments as of the balance sheet date, assessment of the valuation method and testing of the measurement of carrying amounts. Our procedures also included inquiries of the management concerning year-on-year changes in the equity investments and reading management meeting minutes. We used the work of an internal specialist for the assessment of asset impairment testing models made by the Company's management, their assumptions and the reliability of these assumptions.

Other Matter

The financial statements of EP Infrastructure, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 25 February 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 part of our responsibilities related to the audit of the financial statements, we are obliged to express our opinion on the other information.

As stated in Note 1 to the financial statements, the Company does not prepare an annual report, as it intends to include the relevant information in the consolidated annual report. For this reason, our opinion on the other information is not included in this auditor's report.

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 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 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 scepticism 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, the Supervisory Board and the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 5 March 2020 and our uninterrupted engagement has lasted for 1 year.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 February 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

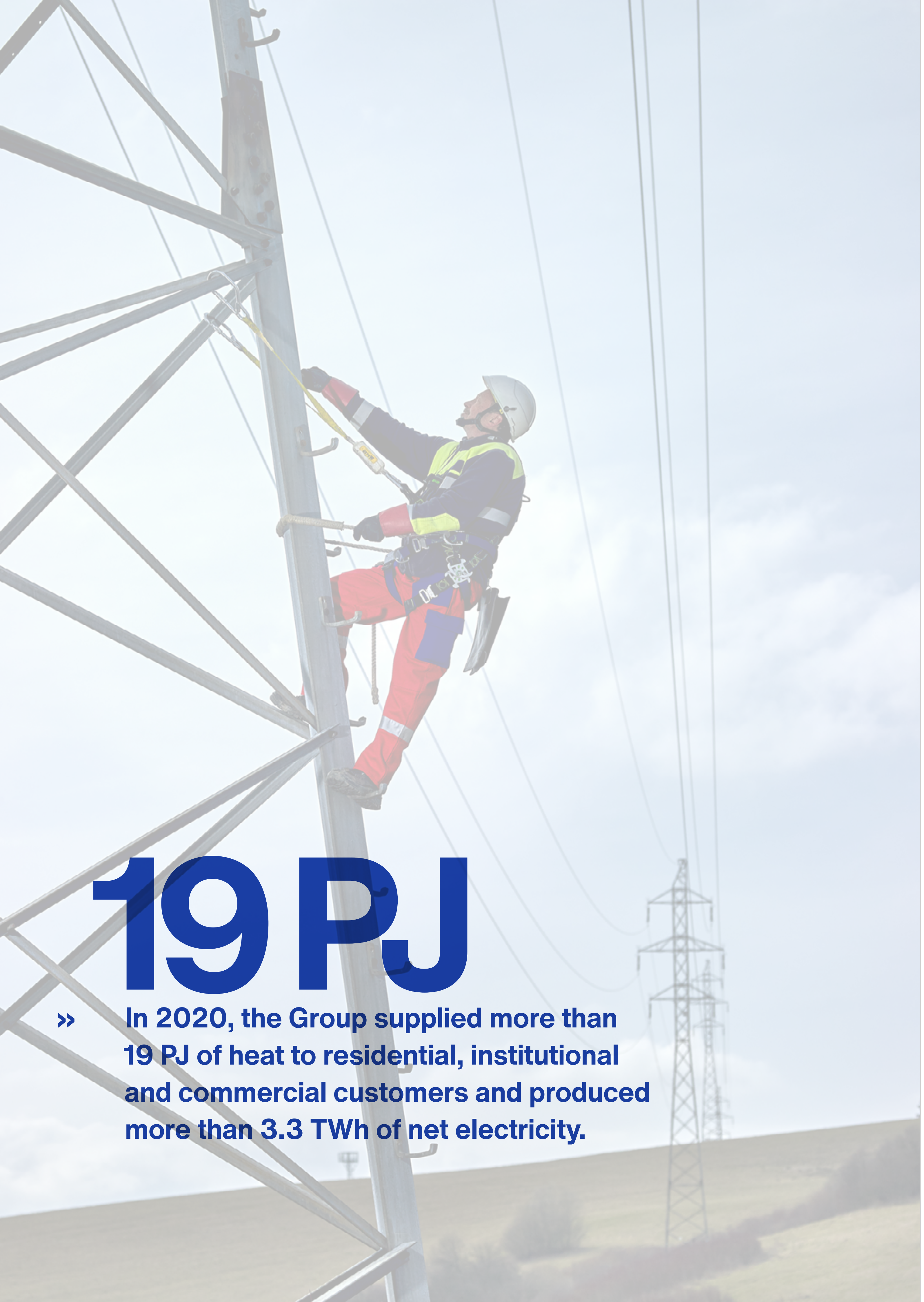
We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

In addition to the statutory audit services, we have provided the Company with the following services which have not been disclosed in the financial statements:

- Review of the condensed interim consolidated financial statements as at 30 June 2020;
- Provision of a comfort letter for the purpose of issuing bonds by the Company; and
- Assistance with the compilation of the Sustainability Report.

In Prague on 26 February 2021

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	David Batal registration no. 2147



Statutory Financial Statements and Notes to the Statutory Financial Statements

EP Infrastructure

Financial Statements in Accordance with IFRS and Independent Auditor's Report

as of 31 December 2020

SEPARATE FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION FOR THE YEAR ENDED 31 DECEMBER 2020

Name of the Company: EP Infrastructure, a.s.

Registered Office: Pařížská 130/26, Josefov, 110 00 Praha 1

Legal Status: Join Stock Company

Corporate ID: 024 13 507

Components of the Separate Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union:

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

These separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared on 26 February 2021.

Statutory body of the reporting entity:	**Signature**
JUDr. Daniel Křetínský, Chairman of the Board of Directors Pavel Horský, Member of the Board of Directors	

Statement of financial position

As of 31 December 2020
In thousands of CZK

	Note	31.12.2020	31.12.2019
Assets			
Equity investments	6	136,162,676	135,751,879
Property, plant and equipment		-	12
Intangible assets		1,231	1,231
Loans at amortised cost	7	41,955,799	38,015,196
Deferred tax assets	16	375,594	328,351
Total non-current assets		**178,495,300**	**174,096,669**
Inventories		3,247	2,882
Trade receivables and other assets	8	3,996,712	11,179,427
Loans at amortised cost	7	-	10,291,439
Tax receivables	8	556	556
Cash and cash equivalents	5	421,113	117,185
Total current assets		**4,421,628**	**21,591,489**
Total assets		**182,916,928**	**195,688,158**
Equity	9	80,750,000	80,750,000
Share capital		222,826	222,826
Share premium	9	19,157,975	19,157,975
Other reserves		15,131,292	28,040,050
Valuation differences on cash flow hedges		(1,746,861)	(1,439,831)
Total equity attributable to equity holders		**113,515,232**	**126,731,020**
Liabilities			
Loans and borrowings	11	65,350,854	65,775,673
Financial instruments and financial liabilities	11	3,541,174	2,730,551
Total non-current liabilities		**68,892,028**	**68,506,224**
Trade payables and other liabilities	12	20,934	27,062
Loans and borrowings	11	486,568	422,263
Financial instruments and financial liabilities	11	-	-
Provisions	12	2,166	1,589
Total current liabilities		**509,668**	**450,914**
Total liabilities		**69,401,696**	**68,957,138**
Total equity and liabilities		**182,916,928**	**195,688,158**

The notes presented on pages 203 to 253 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2020

In thousands of CZK

	Note	2020	2019
Sales: Services		11,818	11,892
Total sales		**11,818**	**11,892**
Cost of sales: Services		(238)	(564)
Total cost of sales		**(238)**	**(564)**
Subtotal		**11,580**	**11,328**
Personnel expenses	13	(66,977)	(65,573)
Depreciation and amortisation		(12)	(17)
Taxes and charges		(3)	(3)
Other operating income	18	33	434
Other operating expenses	18	(45,019)	(46,720)
Profit (loss) from operations		**(100,398)**	**(100,551)**
Interest income under the effective interest method	14	1,232,829	1,262,467
Interest expense	14	(1,339,503)	(1,087,573)
Other finance expense	14	(37,603)	(60,123)
Foreign currency differences	14	(5,628)	107,931
Profit (loss) from derivative instruments	14	(1,207,458)	93,169
Dividend income	14	18,384,873	12,866,323
Change in allowance to financial instruments	14	(309,025)	(53,170)
Net finance income		**16,718,485**	**13,129,024**
Profit (loss) before income tax		**16,618,087**	**13,028,473**
Income tax expenses	15	(24,776)	(67,229)
Profit (loss) from continuing operations		**16,593,311**	**12,961,244**
Profit (loss) for the year		**16,593,311**	**12,961,244**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	(307,030)	(1,278,203)
Other comprehensive income for the year		**(307,030)**	**(1,278,203)**
Total comprehensive income for the year		**16,286,281**	**11,683,041**
Basic and diluted earnings per share in CZK	10	51,37	40,13

The notes presented on pages 203 to 253 form an integral part of these financial statements.

Statement of changes in equity

In thousands of CZK

	Share capital	Other capital contributions	Share premium	Valuation differences on cash flow hedges	Retained earnings	Total equity
Balance at 31 December 2018	**80,750,000**	**19,157,975**	**222,826**	**(161,628)**	**26,643,391**	**126,612,564**
Comprehensive income for the period						
Profit for the period	-	-	-	-	12,961,244	**12,961,244**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(1,278,203)	-	**(1,278,203)**
Total comprehensive income for the period				**(1,278,203)**	**(12,961,244)**	**(11,683,041)**
Contributions by and distributions to Owners						
Dividends to equity holders	-	-	-	-	(11,564,585)	**(11,564,585)**
Balance at 31 December 2019	**80,750,000**	**19,157,975**	**222,826**	**(1,439,831)**	**(28,040,050)**	**126,731,020**
Comprehensive income for the period						
Profit for the period	-	-	-	-	16,593,311	**16,593,311**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(307,030)	-	**(307,030)**
Total comprehensive income for the period				**(307,030)**	**16,593,311**	**16,286,281**
Contributions by and distributions to Owners						
Dividends to equity holders	-	-	-		(29,502,069)	**(29,502,069)**
Balance as at 31 December 2020	**80,750,000**	**19,157,975**	**222,826**	**(1,746,861)**	**15,131,292**	**113,515,232**

The notes presented on pages 203 to 253 form an integral part of these financial statements.

Cash flow statement

At 31 December 2020
In thousands of CZK

	Note	2020	2019
OPERATING ACTIVITIES			
Profit (loss) for the year		16,593,311	12,961,244
Adjustments for:			
Income tax	15	24,776	67,229
Depreciation and amortisation		12	17
Change in provisions		577	15,658
Change in adjustments	14	309,025	53,170
Interest income and expense	14	106,674	(174,894)
Other net finance income	14	37,604	60,123
Dividend income	14	(18,384,873)	(12,866,323)
Loss on financial instruments	14	1,207,458	(93,169)
Unrealised foreign exchange (gains) losses, net		(8,065)	(82,889)
Operating profit before changes in working capital		**(113,501)**	**(91,150)**
Change in trade receivables and other assets		5,049	(12,428)
Change in trade payables and other liabilities		(6,128)	5,994
Change in inventories		(365)	2,271
Cash generated from (used in) operations		**(114,945)**	**(95,323)**
Interest paid	5	(1,191,080)	(932,765)
Income taxes paid		-	7,292
Cash flows generated from (used in) operating activities		**(1,306,025)**	**(1,020,796)**
INVESTING ACTIVITIES			
Dividends received		14,240,990	1,657,362
Outflows from settlement of financial instruments		(392,328)	(176,185)
Advances to related parties		(3,069,121)	(12,972,105)
Interest received		341,623	749,759
Repayments from related parties		22,720,955	9,279,268
Cash flows from (used in) investing activities		**33,842,119**	**(1,461,901)**
FINANCING ACTIVITIES			
Proceeds from loans received	5	18,168,296	16,657,358
Repayment of borrowings	5	(20,827,070)	(32,531,140)
Proceeds from debentures issued	5	-	30,096,950
Finance fees, charges paid		(73,150)	(180,502)
Dividends paid	5	(29,502,069)	(11,564,585)
Cash flows from (used in) financing activities		**(32,233,933)**	**2,478,081**
Net increase (decrease) in cash and cash equivalents		*302,101*	*(4,616)*
Cash and cash equivalents at beginning of the year		**117,185**	**122,377**
Effect of exchange rate fluctuations on cash held		1,827	(576)
Cash and cash equivalents at end of the year		**421,113**	**117,185**

The notes presented on pages 203 to 253 form an integral part of these financial statements.

Notes to the financial statements

1. Background

EP Infrastructure, a.s. (the "Company" or "EPIF") was registered on 6 December 2013 by subscription of share capital in form of a monetary contribution of CZK 2 000 thousand.

The Company's principal activity is the management of its own assets. The basic mission of the Company is the strategic management and development of companies directly or indirectly controlled by the Company, coordination of their activities, and management, acquisition and disposing of the Company's ownership interests and other assets.

The financial year is identical with the calendar year. The financial statements were prepared for the period from 1 January 2020 to 31 December 2020 ("2020"). The comparable period ("2019") is the financial year from 1 January 2019 to 31 December 2019.

REGISTERED OFFICE

Pařížská 130/26
Josefov
110 00 Praha 1
Czech Republic

THE SHAREHOLDERS OF THE COMPANY AS AT 31 DECEMBER 2020 WERE:

	Interest in share capital		Voting rights
	In thousands CZK	%	%
EPIF Investments a.s.	55,717,500	69%	69%
CEI INVESTMENTS S.à r.l.	25,032,500	31%	31%
Total	**80,750,000**	**100%**	**100%**

THE SHAREHOLDERS OF ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S., THE 100% OWNER OF EPIF INVESTMENTS A.S. AS AT 31 DECEMBER 2019 WERE:

	Interest in share capital	Voting rights
	%	%
EP Investment S.à r.l.	53%	53%
EP Investment II S.à r.l.	3%	3%
KUKANA ENTERPRISES LIMITED	44%	44%
Total	**100%**	**100%**

The consolidated financial statements of the widest group of entities for 2020 will be prepared by EP Investment S.á r.l. with its registered office at Avenue John F. Kennedy 39, L-1855 Luxemburg.

The consolidated financial statements of the widest group of entities for 2019 have been prepared by EP Investment S.à r.l. with its registered office at Avenue John F. Kennedy 39, L-1855 Luxembourg.

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union ("EU"). The Czech translation of the consolidated financial statements, along with the consolidated annual report, will be published in the Commercial Register. The Company does not prepare an individual annual report as at the date of these individual financial statements, as all information will be included in the consolidated annual report.

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS AT 31 DECEMBER 2020 WEREE:

MEMBERS OF THE BOARD OF DIRECTORS

Daniel Křetínský (chairman)
Jiří Zrůst (vice-chairman)
Gary Wheatley Mazzotti (vice-chairman)
Marek Spurný (member)
Pavel Horský (member)
Milan Jalový (member)
Stéphane Louis Brimont (member)

MEMBERS OF THE SUPERVISORY BOARD

Jan Špringl (chairman)
William David George Price (vice-chairman)
Petr Sekanina (member)
Jiří Feist (member)
Jan Stříteský (member)
Rosa Maria Villalobos Rodriguez (member)

On 15 February 2021, a change in the Board of Directors was recorded in the Register of Companies: William George Price replaced Stéphan Lois Brimont as the member of the Board of Directors and Martin Gebauer became the new vice-chairman of the Supervisory Board.

2. Basis of preparation

A STATEMENT OF COMPLIANCE

The 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 EU.

The financial statements were approved by the Board of Directors of the Company on 26 February 2021. These financial statements are non-consolidated.

B VALUATION METHOD

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

- derivative financial instruments

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

C FUNCTIONAL AND PRESENTATION CURRENCY

The Company's functional and presentation currency is Czech crown ("CZK").

D USE OF ESTIMATES AND JUDGMENTS

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, by definition, will not always be equal the related actual values.

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 the current period as well as future periods.

I. ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

mation 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:

- Note 7 – Financial instruments
- Note 11 – Financial instruments and financial liabilities

DETERMINATION OF FAIR VALUES

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

The Group, of which the Company is a component, 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 on market 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 Company 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 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 levels 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 Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

E SEGMENT REPORTING

The Company reports sales of services provided to Group entities in the Czech Republic, which constitute a negligible part of sales. Most income is financial income and is described in detail in note 14 to these financial statements. The Company's activities represent one segment, i.e. holding of ownership interests and related activities.

F RECENTLY ISSUED ACCOUNTING STANDARDS

I. NEWLY ADOPTED STANDARDS

The following paragraphs provide a summary of the key requirements of IFRS that are effective for annual periods beginning on or after 1 January 2020 and that have thus been applied by the Company 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. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

The amendments have no material impact on the Company's financial statement

AMENDMENTS TO IFRS 3 DEFINITION OF A BUSINESS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2020)

The amendments aim to clarify difficulties in the entities determining whether they have acquired a business or a group of assets. The amended definition emphasises that the output of a business is the provision goods and services to customers, while the previous definition emphasised a return in the form of dividends, lower costs or other economic benefits for investors and others. The amendment also adds guidance to help entities make the assessment, and an optional concentration test.

The amendments have no impact on the Company'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 amendments clarify the definition of "material" and ensure 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 based on those financial statements, which provide financial information about a specific reporting entity.

The amendments have no material impact on the Company'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 2021)

The amendments regulate some specific requirements for hedge accounting and provides relief from the possible accounting impacts of the uncertainty caused by the reform of interest rate benchmarks used as a base for calculating variable interest rates (such as inter-bank offered rates, especially LIBOR). The amendments also require the disclosure of specific information to investors, who are directly affected by the uncertainty, about their hedging relationships. In addition, the amendments regulate the procedure of substituting existing interest rates with alternative ones and address the impacts on hedge accounting. The amendments also affect disclosure and brings additional requirements on information with regard to the uncertainty arising from the interest rate benchmark reform.

The amendments have no material impact on the Company's financial statements. The Company has no financial instruments with variable interest rates linked to the reformed interest rate benchmarks.

II. STANDARDS NOT YET EFFECTIVE

IFRS 17 INSURANCE CONTRACTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021 (NOT YET ENDORSED BY THE EU))

Insurance contracts combine the features of a financial instrument and of contracts for services. Furthermore, most insurance contracts generate cash flows of significant variability over a long time. To provide useful information about these features, IFRS 17 combines the currently used methods of future cash flows' valuation at present value with profit recognition over the term of the services' provision under the contract, records insurance services separately from financial profit or loss from insurance, and requires entities to choose whether to present the full amount of financial profit or loss from insurance in profit or loss or whether to present a part of it in other comprehensive income.

Considering the nature of the Company's main activities, the Company expects that the amendments will not have any impact on the Company's financial statements.

AMENDMENT TO IAS 1 – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT (NOT YET ENDORSED BY THE EU)

The amendments clarify the classification of debts and other liabilities as current or non-current and define how to determine whether debts and other liabilities in the statement of financial position with an uncertain settlement date are classified as current (due or with a maturity of up to one year) or non-current. The amendments specify the classification requirements for debt instruments that the Company can settle by capitalisation.

AMENDMENT TO IFRS 3 – REFERENCE TO THE CONCEPTUAL FRAMEWORK; IAS 16 – PROCEEDS BEFORE INTENDED USE; IAS 37 – ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT AND ANNUAL IMPROVEMENTS TO IFRSS – CYCLE 2018–2020 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022 (NOT YET ENDORSED BY THE EU))

The amendments to IFRS 3 update the references to the Conceptual Framework; the amendments to IAS 16 prohibit deducting from the cost of an item of property any proceeds from selling items produced while bringing the assets to the condition necessary for it to be capable of operating; instead, an entity recognises the proceeds and the cost of producing those items in profit or loss; and the amendments to IAS 37 clarify which costs are considered by an entity when assessing whether a contract is onerous.

Annual Improvements amend the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplifies the adoption of IFRS 1 for a subsidiary which becomes a first-time adopter later than its parent; amends the measurement of cumulative translation differences); IFRS 9 Financial Instruments (clarifies which fees an entity considers when assessing whether the terms of the new or modified financial liability have changed materially compared to the terms of the original liability); IAS 41 Agriculture (removes the requirement to exclude cash flows related to taxation when measuring fair value); as well as illustrative examples accompanying IFRS 16 Leases.

The amendments will have no material impact on the Company's financial statements

AMENDMENTS TO IFRS 16 – COVID-19-RELATED RENT CONCESSIONS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JULY 2020)

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The amendments do not amend the lessor's reporting practices.

These amendments will have no material impact on the Company's financial statements.

AMENDMENTS TO IFRS 9, IAS 39, IFR 39, 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 the modification of financial assets, financial liabilities and lease liabilities (recognition of the modification in connection with the reform), specific hedge accounting requirements (hedge accounting is not terminated solely due to the reform; hedging relationship and documentation must be amended) as well as disclosure requirements under IFRS 7 that accompany the amendments.

These amendments will have no material impact on the Company's financial statements.

The Company 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 Company elects to apply the Standards prospectively from the date of transition.

G GOING CONCERN ASSUMPTION

In late 2019, first news concerning COVID 19 (coronavirus disease) started coming from China. In the first months of 2020, the virus spread worldwide and caused extensive economic damage. The Company's management recorded no significant decrease in sales with regard to the Company's nature or deteriorating financial situation. The Company generated higher dividend income compared to 2019 and, as of the date of preparation of the financial statements, records significant undrawn credit facilities, which guarantee sufficient liquidity. The Company's management will continue to monitor potential impacts and take all possible steps to mitigate any adverse effects on the Company and its employees.

The management of the Company has considered the potential impacts of the COVID-19 pandemic on its activities and concluded that they have no significant effect on the Company's ability to continue as a going concern. The financial statements for the year ended 31 December 2020 were therefore prepared in this respect.

3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

A 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.

B EQUITY INVESTMENTS

As required by IAS 27, the Company has applied measurement at cost for investments in subsidiaries, associates, and jointly controlled entities. In accordance with IFRS 9, cost is increased by a discount on provided interest-free loans. Equity investments are tested for impairment yearly (see Note 3 (d)).

C 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* shall be 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 the SPPI test and business model test are normally classified by the Company as financial asset at amortised cost.

A *debt instruments* shall be 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 Company may make an irrevocable election at initial recognition for particular investments in *equity instruments* (except equity investments as described in Note 3 (b)) 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.

All investments in equity instruments and contracts on those instruments must be 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 represents the best estimate of fair value within that range. The Company 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 Company must use fair value. Cost is never the best estimate of fair value for investments in quoted instruments.

A financial asset shall be 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 Company are derivatives.

The Company may, at initial recognition, irrevocably designate a financial asset, which would be measured at amortised cost or at fair value through other comprehensive income (“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 Company 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 value.

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 fair value through other comprehensive income (FVOCI) are subsequently measured at fair value. Interest income calculated using the 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 fair value through other comprehensive income (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 amortised cost are subsequently measured at amortised 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. DE-RECOGNITION

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 Company 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 Company has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

D IMPAIRMENT

I. NON-FINANCIAL ASSETS

The carrying amounts of the Company’s assets, except for deferred tax assets, (refer to Note 3 (j) – Income taxes) are reviewed at each reporting date to determine any objective evidence of impairment. If any such indication exists, the asset’s recoverable amount is estimated. For intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least once every 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 from the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”).

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 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.

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

The Company measures loss allowances using expected credit loss (“ECL”) model for financial assets at amortised 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 Company 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 Company 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, a financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III for the financial asset has been credit-impaired.

The Company 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 but less than 90 days, and the delay does not indicate an increase in counterparty credit risk, the individual approach shall be used, and the financial asset shall be classified in Stage I); or

(b) tn financial difficulties, the Company negotiates with the debtor about debt 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 have occurred which require individual assessment (e.g., development of external ratings of sovereign credit risk).

At each reporting date, the Company assesses whether financial assets carried at amortised cost and investments to equity 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 Company 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, whose 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 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 such proceedings 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 (which is not a relevant condition in the ECL model for intra-group loans and receivables); or

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

For the purposes of ECL calculation, the Company 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 Company 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 and the year-on-year change is recognised in the income statement. For debt securities at FVOCI, the loss allowance is recognised in OCI.

E NON-DERIVATIVE FINANCIAL LIABILITIES

The Company has the following non-derivative financial liabilities:

- loans and borrowings, debt security issues, 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 or loss. Attributable transaction costs relating to financial assets measured at fair value through profit or loss 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 value*.

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

F DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Company holds derivative financial instruments to hedge its foreign currency and interest rate 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 are accounted for as described below.

TRADING DERIVATIVES

When a derivative financial instrument 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 (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.

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

CASH FLOW HEDGES AND FAIR VALUE HEDGES

The majority of financial derivatives are held for hedging purposes but do not meet the criteria for hedge accounting as stated by IFRS 9. These derivatives are designated for trading, and related profit and loss from changes in fair value is recognised in profit and loss.

Hedging instruments consisting 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 Company maintains formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. The Company 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 intended transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss. In case the future intended transaction is still expected to occur then the balance remains in equity and is transferred to profit or loss when the hedged transaction affects 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.

G PROVISION

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, when (i) it is probable that an outflow of economic benefits will be required to settle the obligation and when (ii) 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).

H SALES

SALES OF SERVICES

The Company applies IFRS 15 to recognise sales from contracts with customers.

Sales of services are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No sales are recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs.

I 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.

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.

J 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 consists of estimated income tax (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 affects neither accounting nor taxable profit or loss, and
- temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not be reversed in the foreseeable future.

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 unused tax losses or temporary differences will be realised.

K DIVIDENDS

Dividends are recognised within other comprehensive income as of the date when the Company's right to receive the relevant income was established. Received shares on profit are recognised in current profit or loss, i.e. in the period when the payment of the profit share was declared.

4. Determination of fair values

A number of the Company'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 NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, debt and equity instruments at fair value through other comprehensive income and financial assets at amortised 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 of the Company, using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the best estimates of the management of the Company 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 held at amortised cost is determined for disclosure purposes only.

B 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.

C DERIVATIVES

The fair value of interest rate swaps is based on internal measurements arising from market prices. Those quotes 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 (currency) is estimated by discounting the difference between the forward values and the current values till maturity of the contract using a risk-free interest rate (based on zero-coupon rates).

Notes to the financial statements

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

5. Cash and cash equivalents

In thousands of CZK

	31 December 2020	31 December 2019
Cash on hand	16	-
Current accounts with banks	421,097	117,185
Total cash and cash equivalents	**421,113**	**117,185**

Reconciliation of movement of liabilities and cash flows arising from financing activities:

	Loans from credit institutions	Loans from other than credit institutions	Issued debentures	Retained earnings	Total liabilities and retained earnings
Balance as at 1 January 2020	**17,306,765**	**-**	**48,891,171**	**28,040,050**	**94,237,986**
Changes from financing cash flows					
Received loans and borrowings	18,168,296	-	-	-	18,168,296
Repayment of borrowings	(20,827,070)	-	-	-	(20,827,070)
Dividends paid		-	-	(29,502,069)	(29,502,069)
Total change from financing cash flows	**(2,658,774)**	**-**	**-**	**(29,502,069)**	**(32,160,843)**
Total effect of changes in foreign exchange rates	**602,716**	**-**	**1,620,271**	**-**	**2,222,987**
Other liability changes					
Transaction costs related to loans and borrowings (net)	(73,150)	-	-	-	(73,150)
Interest expense	378,812	-	960,691	-	1,339,503
Interest paid	(262,859)	-	(928,221)	-	(1,191,080)
Total liability-related other changes	**42,803**	**-**	**32,470**	**-**	**75,273**
Profit for the year	**-**	**-**	**-**	**16,593,311**	**16,593,311**
Balance at 31 December 2020	**15,293,510**	**-**	**50,543,912**	**15,131,292**	**80,968,714**

	Loans from credit institutions	Loans from other than credit institutions	Issued debentures	Retained earnings	Total liabilities and retained earnings
Balance as at 1 January 2019	**33,403,902**	**-**	**19,387,866**	**26,643,391**	**79,435,159**
Changes from financing cash flows					
Received loans and borrowings	16,657,358	-	30,096,950	-	46,754,308
Repayment of borrowings	(32,531,140)	-	-	-	(32,531,140)
Dividends paid	-	-	-	(11,564,585)	(11,564,585)
Total change from financing cash flows	**(15,873,782)**	**-**	**30,096,950**	**(11,564,585)**	**2,658,583**
Total effect of changes in foreign exchange rates	**(148,714)**	**-**	**(604,457)**	**-**	**(753,171)**
Other liability changes					
Transaction costs related to loans and borrowings (net)	(18,033)	-	(200,604)	-	(218,637)
Interest expense	538,693	-	548,880	-	1,087,573
Interest paid	(595,301)	-		-	(932,765)
Total liability-related other changes	**(74,641)**	**-**	**10,812**	**-**	**(63,829)**
Profit for the year	**-**	**-**	**-**	**12,961,244**	**12,945,183**
Balance at 31 December 2019	**17,306,765**	**-**	**48,891,171**	**28,040,050**	**94,237,986**

6. Equity investments

Company name	Total profit (+) loss (-) for the period 01/1/2020–31/12/2020*	Equity at 31/12/2020	Net value of equity investment at 31/12/2020	Net value of equity investment at 31/12/2019
	(in TCZK/TEUR)	(in TCZK/TEUR)	(in TCZK)	(in TCZK)
Claymore Equity, s.r.o v likvidácii* („Claymore“)	EUR (41)	EUR (1,043)	0	-
EP Energy, a.s. („EPE“)*	CZK 21,969,103	CZK 29,302,662	34,873,855	34,731,570
Czech Gas Holding Investment B.V. („CGHI“)*	EUR 28,311	EUR 144,188	9,623,500	9,623,464
EPH Gas holding B. V. („EPHGH“)*	EUR 130,553	EUR 230,254	90,002,753	89,734,277
Plzeňská teplárenská, a.s. („PT“)*	CZK 288,969	CZK 4,847,028	1,662,568	1,662,568
Total equity investments			**136,162,676**	**135,751,879**

* Data from unaudited financial statements as of 31 December 2020.

All equity investments are fully owned by the Company, with the exception of Plzeňská teplárenská, a.s. (35%, with managerial control).

As at 31 December 2020, the Company established an allowance for investments for Claymore of CZK 508 thousand.

As at 31 December 2019, the registered offices of the companies were as follows:

EP Energy, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
Czech Gas Holding Investment B.V.	Schiphol Boulevard 477 Tower C4, 1118 BK Schiphol, Netherlands
EPH Gas holding B. V.	Schiphol Boulevard 477 Tower C4, 1118 BK Schiphol, Netherlands
Claymore Equity, s.r.o v likvidácii	Pribinova 25, 811 09 Bratislava, Slovak Republic
Plzeňská teplárenská, a.s.	Doubravecká 2760/1, Východní Předměstí, 301 00 Plzeň, Czech Republic

IN 2020, THERE WERE THE FOLLOWING CHANGES IN THE NON-CURRENT FINANCIAL ASSETS

On 21 May 2020, the Company acquired 100% of the equity investment in Claymore.

7. Financial instruments

LOANS AT AMORTISED COST

In thousands of CZK

	31 December 2020	31 December 2019
Loans to other than credit institutions:		
Czech Gas Holding Investment B.V. („CGHI“)	1,080	-
EPH Gas Holding B. V. („EPHGH“)	18,650,720	8,366,112
Slovak Gas Holding B.V. („SGH“)	21,374,747	23,262,887
EP Energy, a.s. („EPE“)	1,929,252	16,677,636
Total	**41,955,799**	**48,306,635**
Non-current	*41,955,799*	*38,015,196*
Current	-	*10,291,439*
Total	**41,955,799**	**48,306,635**

Impairment arising from expected losses is described in Note 19a.

FAIR VALUE INFORMATION

Fair values and the respective loans carried at amortised costs are disclosed in the following table:

In thousands of CZK

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Loan Claymore	0	27,913	-	-
Loan CGHI	1,080	1,082	-	-
Loan EPHGH	18,650,720	19,011,244	8,366,112	8,366,112
Loan SGH	21,374,747	21,621,325	23,262,887	23,339,110
Loan EPE	1,929,252	1,923,336	16,677,636	16,781,380
Total	**41,955,799**	**42,584,900**	**48,306,635**	**48,486,602**

The fair value hierarchy of loans provided to non-financial institutions is based on Level 3 inputs (for detail of valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

8. Trade receivables and other assets

In thousands of CZK

	31 December 2020	31 December 2019
Trade receivables	13,597	16,126
Estimated receivables	248	294
Advance payments	4,196	6,670
Tax receivables	556	556
Dividends declared	3,978,671	11,156,337
Total	**3,997,268**	**11,179,983**
Current	**3,997,268**	**11,179,983**
Total	**3,997,268**	**11,179,983**

At 31 December 2020 and at 31 December 2019 no trade receivables and other assets were past due.

The Company's exposure to credit and currency risks and risk of impairment losses related to trade receivables and other assets is disclosed in Note 19 – Risk management policies and disclosures.

9. Equity

SHARE CAPITAL AND SHARE PREMIUM

The authorised, issued and fully paid share capital of the Company as at 31 December 2020 and 31 December 2019 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each ("Shares A") and 100,130,000 shares, to which special rights are connected as specified in the Articles of Incorporation, with a par value of CZK 250 each ("Shares B").

Each shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 250 at meetings of the Company's shareholders.

31 DECEMBER 2020 AND 2019

In thousands of shares

	Number of shares 250 CZK		Ownership interest %	Voting rights %
	Shares A	Shares B		
EPIF Investments a.s.	222,870		69.00	69.00
CEI INVESTMENTS S.à r.l.		100,130	31.00	31.00
Total	**222,870**	**100,130**	**100.00**	**100.00**

OTHER RESERVES

As of 31 December 2020 and 31 December 2019, other reserves consist of an additional equity contribution in the form of loan capitalisation.

10. Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share in CZK per 1 share of CZK 250 (2019: in CZK per 1 share of CZK 250) nominal were equal to 51.37 CZK per 1 share (2019: 40.13 CZK per 1 share).

The calculation of basic earnings per share as at 31 December 2020 and as at 31 December 2019 was based on profit attributable to ordinary shareholders of CZK 16,593,311 thousand (2019: CZK 12,961,244 thousand), and a weighted average number of ordinary shares outstanding of 323,000,000 (2019: 323,000,000).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2020 AND 2019

In pieces

	Nominal	Weighted
Issued shares	323,000,000	323,000,000
of which as at 16 February 2017 classified as:		
Shares A (1 share/CZK 250)	*222,870,000*	*222,870,000*
Shares B (1 share/CZK 250)	*100,130,000*	*100,130,000*
Total	**323,000,000**	**323,000,000**

DILUTED EARNINGS PER SHARE

As the Company issued no convertible debentures or other financial instruments with dilutive potential effects on ordinary share, diluted earnings per share are equal to the basic earnings per share.

11. Financial instruments and financial liabilities

FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

In thousands of CZK

	31 December 2020	31 December 2019
Loans payable to credit institutions	15,293,510	17,306,765
Issued debentures	50,543,912	48,891,171
Other liabilities	**65,837,422**	**66,197,936**
Non-current	65,350,854	65,775,673
Current	486,568	422,263
Total	**65,837,422**	**66,197,936**

The weighted average interest rate on loans for 2020 was 1.831% (2019: 1.775%).

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

In thousands of CZK

	31 December 2020	31 December 2019
Hedging: of which	1 524 744	1 291 652
Interest rate swaps related to cash flow hedge	*1 524 744*	*1 291 652*
Risk management purpose: of which	2 016 430	1 438 899
Interest rate swaps reported as trading	*2 016 430*	*1 438 899*
Total	**3 541 174**	**2 730 551**
Non-current	3 541 174	2 730 551
Current	-	-
Total	**3 541 174**	**2 730 551**

Derivative financial instruments held at fair value were categorised within Level 2 of the fair value hierarchy (for details on the valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

ISSUED DEBENTURES AT AMORTISED COST

Details about debentures issued as at 31 December 2020 are presented in the following table:

In thousands of CZK

	Principal	Accrued interest	Unamortised transaction costs	Maturity	Interest rate (%)	Effective interest rate (%)
EPIF 2024 Notes	19,683,750	222,847	(80,685)	26/04/2024	1.659	1.786
EPIF 2026 Notes	15,747,000	112,144	(80 686)	30/07/2026	1.698	1.795
2027 Private Offering	1,837,150	9,322	(22 762)	08/04/2027	2.150	2.36
EPIF 2028 Notes	13,122,500	61,310	(67,978)	09/10/2028	2.045	2.117
Total	**50 390 400**	**405 623**	**(252 111)**	**-**	**-**	**-**

2024 NOTES

On 26 April 2018, the Company successfully placed at par its debut international offering of EUR 750 million. Notes are issued in the nominal value of EUR 100,000 each and bear 1.659% fixed rate and are unsecured (“2024 Notes”). The 2024 Notes are listed on the 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 Company 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 Company 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 Company 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 Company 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 CZK 140,815 thousand. These costs are allocated to the income statement over the term of the 2024 Notes through the effective interest rate of 1.786%.

2026 NOTES

On 30 July 2019, the Company 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 the 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 Company 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 Company 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 Company 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 CZK 97,723 thousand. These costs are allocated to the income statement over the term of the 2026 Notes through the effective interest rate of 1.795%.

PRIVATE OFFERING

On 8 April 2019, the Company placed EUR 70 million eight-year notes, which were accepted for trading at the Third Market operated by the Vienna Stock Exchange. The notes bear interest at 6M EURIBOR +2.15%, are unsecured and due in April 2027 ("Private Offering").

The Company 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, plus a "make whole" premium. Further, the Company 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 Company 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 Private Offering is stated net of debt issue costs of CZK 27,621 thousand. These costs are allocated to the income statement over the term of the Private Offering through the effective interest rate of 2.36%.

2028 NOTES

On 9 October 2019, the Company 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 the 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 Company 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 Company 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 Company 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 Company 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 CZK 75,261 thousand. These costs are allocated to the income statement over the term of the 2028 Notes through the effective interest rate of 2.117%.

LOANS AT AMORTISED COST

Details about the loans as at 31 December 2020 are presented in the following overview:

In thousands of CZK

	Principal	Accrued interest	Unamortised transaction costs	Maturity	Interest rate (%)
Bank loan	10 498 000			15/01/2025	Variable*
Schuldschein loan I	1 259 760			24/04/2026	Variable*
Schuldschein loan II	3 529 953			24/04/2024	Variable*
Total	**15,287,713**	**80,944**	**(75 147)**		**-**

* Variable interest rate is derived from EURIBOR plus margin. All rates are set at arm's length.

FACILITIES AGREEMENT CONCLUDED BY THE COMPANY

The Company is a party to a senior term and revolving facilities agreement dated 19 July 2018 with a group of financing banks (the "Company's Facilities Agreement"), pursuant to which the Company has been provided with term facility A in the amount of EUR 750 million due on 19 July 2022, term facility B in the amount EUR 500 million due on 19 July 2023 and a revolving facility C up to the amount of EUR 250 million due on 19 July 2023.

In 2019, facility A in the amount of EUR 750 million was repaid and the outstanding transaction costs relating to facility A were released in the income statement. In 2020, facility B in the amount of CZK 500 million and revolving facility C in the amount of CZK 250 million were refinanced through a senior term and revolving facilities agreement dated 14 January 2020 with a group of financing banks (the "Company's Facilities Agreement"), pursuant to which the Company has been provided with term facility A in the amount of EUR 400 million due on 14 January 2025 and a revolving facility B up to the amount of EUR 400 million due on 14 January 2025.

At the same time, the outstanding transaction costs relating to facility B in the amount of EUR 500 million and facility C in the amount of EUR 250 million were released in the income statement.

The Company's Facilities Agreement contains restrictive provisions which, among other things, limit the Company's ability to merge with other companies and the ability of the EP Infrastructure, a.s. Group ("Group") to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions of dividends and certain other payments, dispose of assets, provide loans or guarantees, or create security. These restrictions are subject to a number of exceptions and qualifications. For example, the Company 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. In addition, under the Company's Facilities Agreement, if the rating of the Company drops below a certain level, the Group will become subject to a regularly tested net leverage covenant on the Group level. The Company's Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment.

SCHULDSCHEIN LOANS

On 15 April 2019, the Company 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 the Company under the Schuldschein loan agreements are general unsecured debts of the Company and rank equally in right of payment with EPIF's existing and future indebtedness that is not subordinated in right of payment.

CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK WITH NON-DERIVATIVE FINANCIAL LIABILITY

The Company applies hedge accounting for hedging instruments designed to hedge the foreign currency risk of revenues denominated in a foreign currency (EUR). The hedging instruments are the relevant portions of the nominal values of drawn credit facilities in EUR in the total amount of EUR 440 million (at 31 December 2019: EUR 440 million) of the total volume of drawn loan of EUR 500 million, which was refinanced in January 2020. The hedged cash inflows in EUR which the Company considers highly probable and which follow from dividends paid by subsidiaries are expected to occur and impact profit or loss in the period from 2021 to 2033. As a result of the hedging relationship, the Company reported CZK 452,225 thousand in equity as at 31 December 2020 (at 31 December 2019: CZK 836,250 thousand), including the related deferred tax of CZK (85,923) thousand (at 31 December 2019: CZK (158,887) thousand). In 2020, as a result of realised hedged cash flows from the amount recognised in equity in relation to the application of the hedge accounting, CZK 16,625 thousand was transferred to income accounts (2019: CZK 77,000 thousand).

	Cash flow hedges (currency risk)	Cash flow hedges (currency risk) – deferred tax	Interest rate swap (hedging)	Interest rate swap (hedging) – deferred tax	Effect from hedge accounting
Balance at 31/12/2018	**774,651**	**(147,185)**	**(974,190)**	**185,096**	**(161,628)**
Utilisation of cash flow hedges	(77,000)	-	-	-	(77,000)
Revaluation of cash flow hedges	138,599	-	-	-	138,599
Deferred tax – cash flow hedges	-	(11,702)	-	-	(11,702)
Reclassified to profit for the period	-	-	162 242	-	162 242
Change in fair value of interest rate swaps	-	-	(1,801,872)	-	(1,801,872)
Deferred tax – interest rate swaps	-	-	-	311,530	311,530
Balance at 31/12/2019	**836,250**	**(158,887)**	**(2,613,820)**	**496,626**	**(1,439,831)**
Utilisation of cash flow hedges	(16,625)	-	-	-	(16,625)
Revaluation of cash flow hedges	(367,400)	-	-	-	(367,400)
Deferred tax – cash flow hedges	-	72,964	-	-	72,964
Reclassified to profit for the period	-	-	238,069	-	238,069
Change in fair value of interest rate swaps	-	-	(233,092)	-	(233,092)
Deferred tax – interest rate swaps	-	-	-	(946)	(946)
Balance at 31/12/2020	**452,225**	**(85,923)**	**(2,608,843)**	**495,680**	**(1,746,861)**

FAIR VALUE INFORMATION

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

In thousands of CZK

	31 December 2020		31 December 2019	
	Carrying amount	Fair values	Carrying amount	Fair values
Bank loan	15,293,510	15,208,884	17,306,765	17,372,178
Issued debentures	50,543,912	50,850,586	48,891,171	48,857,916
Total	**65,837,422**	**66,059,470**	**66,197,936**	**66,230,094**

Issued debentures are categorised within Level 1 of the fair value hierarchy. Bank loans are categorised within Level 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

12. Trade payables and other liabilities

In thousands of CZK

	31 December 2020	31 December 2019
Trade payables	14,561	21,170
Estimated payables	2,198	987
Payroll liabilities	1,888	2,308
Other tax liabilities	1,776	2,078
Provisions	2,166	1,589
Other liabilities	511	519
Total	**23,100**	**28,651**
Current	23,100	28,651
Total	**23,100**	**28,651**

The estimate of liabilities is based on contractual conditions or on invoices received after the balance sheet date, but before the issuance of the financial statements.

Trade payables and other liabilities have not been secured as at 31 December 2020 and 31 December 2019. As at 31 December 2020 and 31 December 2019, no liabilities to tax authorities were overdue.

13. Personnel expenses

In thousands of CZK

	2020	2019
Wages and salaries	39,380	38,484
Compulsory social security contributions	10,989	10,478
Board members' remuneration	16,600	16,600
Other social expenses	8	11
Total	**66,977**	**65,573**

The average recalculated number of employees during 2020 was 18 (2019: 21), of which 7 (2019: 7) were executives.

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

RECOGNISED IN PROFIT OR LOSS

In thousands of CZK

	2020	2019
Interest income (under the effective interest method)	1,232,829	1,262,467
Net foreign exchange gain	-	107,931
Dividend income	18,384,873	12,866,323
Gain from release of allowances to loans/equity investments	-	-
Finance income	**19,617,702**	**14,236,721**
Interest expense (under the effective interest method)	(1,339,503)	(1,087,573)
Fees and commissions expense for payment transactions	(37,603)	(60,123)
Net foreign exchange loss	(5,628)	-
Loss from allowances to loans/equity investments	(309,025)	(53,170)
Finance costs	**(1,691,759)**	**(1,200,866)**
Profit (loss) from hedging derivatives	(26,379)	(162,242)
Profit (loss) from interest rate derivatives held for trading	(1,181,079)	255,411
Profit (loss) from financial instruments	**(1,207,458)**	**(93,169)**
Net finance income (expense) recognised in profit or loss	**16,718,485**	**13,129,024**

15. Income tax expenses

INCOME TAX RECOGNISED IN PROFIT OR LOSS

In thousands of CZK

	2020	2019
Current taxes:		-
Current year	-	-
Adjustment for prior periods	-	-
Total current taxes	**-**	**-**
Deferred taxes:		
Origination and reversal of temporary differences[1]		
Total deferred taxes	**(24,776)**	**(67,229)**
Total income taxes (expense) recognised in the statement of comprehensive income for continuing operations	**(24,776)**	**(67,229)**

(1) For details refer to Note 16 – Deferred tax assets and liabilities.

Deferred tax was calculated using currently enacted tax rate expected to apply when the asset is realised, or the liability settled. According to Czech legislation the corporate income tax rate was 19% for the fiscal year 2020 (19% for 2019).

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In thousands of CZK

	2020		
	Gross	Income tax	Net of income tax
Effective portion of changes in fair value of hedging			
instruments (currency risk)	(384,025)	72,965	(311,060)
Effective portion of changes in fair value of hedging instruments (interest rate risk)	4,977	(947)	4,030
Total	**(379,048)**	**72,018**	**(307,030)**

In thousands of CZK

	2019		
	Gross	Income tax	Net of income tax
Effective portion of changes in fair value of hedging			
instruments (currency risk)	61,599	(11,702)	49,897
Effective portion of changes in fair value of hedging instruments (interest rate risk)	(1,639,630)	311,530	(1,328,100)
Total	**(1,578,031)**	**299,828**	**(1,278,203)**

RECONCILIATION OF EFFECTIVE TAX RATE

In thousands of CZK

		2020		2019
	%		%	
Profit from continuing operations before tax		16,618,087		13,028,473
Income tax using the Czech domestic rate (19 %)	19,0%	(3,157,437)	19,0%	(2,475,410)
Non-taxable income – dividends	(21,0%)	3,493,126	(18,8%)	2,444,601
Other non-taxable income		-	-	-
Non-deductible expenses – interest	0,9%	(146,723)	0,8%	(97,842)
Non-deductible expenses – other financial expenses	0,1%	(18,191)	0,2%	(31,607)
Non-deductible expenses – provisions	0,0%	(110)	0,0%	(114)
Non-deductible expenses – other	0,1%	(15,997)	0,1%	(13,060)
Other differences		-	-	-
Change in unrecognised deferred tax asset	1,1%	(187,299)	0,1%	(10,102)
Other differences in financial instruments held at amortised costs	(0,1%)	7,855	(0,9%)	116,305
Income taxes recognised in the comprehensive income statement	**0,1%**	**(24,776)**	**0,5%**	**(67,229)**

16. Deferred tax assets and liabilities

THE FOLLOWING DEFERRED TAX ASSETS AND LIABILITIES HAVE BEEN RECOGNISED

In thousands of CZK

	31 December 2020		31 December 2019	
Temporary difference related to:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Financial instruments and financial liabilities	-	(62,179)	-	(67,232)
Loans and borrowings	28,016	-	49,577	-
Derivatives	495,680	-	496,626	-
Cash flow hedges	-	(85,923)	-	(158,887)
Tax losses	-		8,267	-
Total	**523,696**	**(148,102)**	**554,470**	**(226,119)**
Total (net)	**375,594**		**328,351**	**-**

The Company recorded an unrecognised deferred tax asset arising from tax losses of CZK 223,914 thousand (31 December 2019: CZK 36,615 thousand).

Movements in deferred tax during the year:

In thousands of CZK

Balance related to:	**Balance at 1 January 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2020**
Financial instruments and financial liabilities	(67,232)	5 053	-	(62,179)
Loans and borrowings	49,577	(21,561)	-	28,016
Derivatives	496,626	(1)	(945)	495,680
Cash flow hedges	(158,887)	-	72,964	(85,923)
Tax losses	(8,267)	(8,267)	-	-
Total	**328,351**	**(24,776)**	**72,019**	**375,594**

Movements in deferred tax during the prior period:

In thousands of CZK

Deferred tax assets (liabilities) related to:	**Balance at 1 January 2019**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance at 31 December 2019**
Financial instruments and financial liabilities	(49,001)	(18,231)	-	(67,232)
Loans and borrowings	65,113	(15,535)	-	49,577
Derivatives	185,096	-	311,530	496,626
Cash flow hedges	(147,184)	-	(11,702)	(158,887)
Tax losses	41,730	(33,463)	-	8,267
Total	**95,754**	**(67,229)**	**299,826**	**328,351**

17. Off-balance sheet assets and liabilities

The Company recognised receivables in the amount of CZK 39,367,500 thousand in its off-balance sheet accounts (31 December 2019: CZK 38,115,000 thousand) and payables in the amount of CZK 39,367,500 thousand (31 December 2019: CZK 38,115,000 thousand), which represented the notional value of the concluded derivatives.

The Company also recognised an undrawn revolving facility in the amount of CZK 10,498,000 thousand (31 December 2019: CZK 6,352,500).

18. Operating expenses and income

SALES

Sales of the Company comprise provided support and consulting services.

OTHER OPERATING EXPENSES

In thousands of CZK

	2020	2019
Audit, accounting, consolidation	28,750	30,668
Tax advisory	1,137	569
Legal advisory	769	696
Other advisory	3,499	2,884
Rent expenses	4,355	4,589
Travel expenses	2,318	2,823
Other	4,191	4,491
Total for continuing operations	**45,019**	**46,720**

Information on remuneration to statutory auditors will be provided in the notes to the financial statements of the parent company where the Company is included.

No significant research and development expenses were recognised in the statement of comprehensive income for the years ended 31 December 2020 and 31 December 2019.

19. Risk management policies and disclosures

This section provides details of the Company's exposure to financial and operational risks and the way it manages such risk. The most important types of financial risks to which the Company is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

As part of its operations, the Company is exposed to different market risks, notably the risk of changes in interest rates and exchange rates. To minimise this exposure, the Company 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

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances. The Company is exposed to credit risk mainly in connection with loans provided to subsidiaries; other significant receivables predominantly include receivables arising from the share of profit. The Company regularly monitors the ability of debtors to pay their receivables through the analysis of the financial reporting of these entities.

ADDITIONAL ASPECTS MITIGATING CREDIT RISK

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures.

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 thousands of CZK

	Corporate (non-financial institutions)	State, government	Banks	Total
Assets				
Cash and cash equivalents	-	-	421,113	**421,113**
Trade receivables and other assets and tax receivables	3,996 712	556	-	**3,997,268**
Loans at amortised cost	41,955 799	-	-	**41,955,799**
Total	**45,952 511**	**556**	**421,113**	**46,374,180**

AS AT 31 DECEMBER 2019

In thousands of CZK

	Corporate (non-financial institutions)	State, government	Banks	Total
Assets				
Cash and cash equivalents	-	-	117,185	**117,185**
Trade receivables and other assets and tax receivables	11,179,427	556	-	**11,179,983**
Loans at amortised cost	48,306,635	-	-	**48,306,635**
Total	**59,486,062**	**556**	**117,185**	**59,603,803**

CREDIT RISK BY LOCATION OF DEBTOR

AS AT 31 DECEMBER 2020

In thousands of CZK

	Czech Republic	Netherlands	Other	Total
Assets				
Cash and cash equivalents	421,113	-	-	**421,113**
Trade receivables and other assets and tax receivables	14,614	3,978,671	3,983	**3,997,268**
Loans at amortised cost	1,929,252	40,026,547	-	**41,955,799**
Total	**2,364,979**	**44,005,218**	**3,983**	**46,374,180**

AS AT 31 DECEMBER 2019

In thousands of CZK

	Czech Republic	Netherlands	Other	Total
Assets				
Cash and cash equivalents	117,185	-	-	**117,185**
Trade receivables and other assets and tax receivables	18,710	11,156,338	4,935	**11,179,983**
Loans at amortised cost	16,677,636	31,628,999	-	**48,306,635**
Total	**16,813,531**	**42,785,337**	**4,935**	**59,603,803**

I. IMPAIRMENT LOSSES

All financial assets of the Company were classified at Stage 1.

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

The Company establishes an allowance for all expected future losses arising from the asset over the course of the asset's useful life. Allowances are established predominantly on an individual basis for loans provided. All financial assets of the Company were classified at Stage 1.

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2020

In thousands of CZK

	Trade receivables and other assets	Loans to other than credit institutions	Total
Before maturity (net)	3,997,268	41,955,799	**45,953,067**
After maturity (net)	-	-	**-**
Total	**3,997,268**	**41,955,799**	**45,953,067**
A – Assets for which an allowance has been created			
– gross	-	42,457,026	**42,457,026**
– specific loss allowance	-	(501,227)	**(501,227)**
– collective loss allowance	-	-	**-**
Net	**3,997,268**	**41,955,799**	**45,953,067**
Total	**3,997,268**	**41,955,799**	**45,953,067**

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

In thousands of CZK

	Loans to other than credit institutions	Total
Balance at 1 January 2020	192,709	**192,709**
Impairment losses recognised during the year	396,462	**396,462**
Reversals (release) of impairment losses recognised during the year	(87,944)	**(87,944)**
Balance at 31 December 2020	**501,227**	**501,227**

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2019

In thousands of CZK

	Trade receivables and other assets	Loans to other than credit institutions	Total
Before maturity (net)	11,179,983	48,306,635	**59,486,618**
After maturity (net)	-	-	**-**
Total	**11,179,983**	**48,306,635**	**59,486,618**
A – Assets for which an allowance has been created			
– gross	-	48,499,344	**48,499,344**
– specific loss allowance	-	(192,709)	**(192,709)**
– collective loss allowance	-	-	**-**
Total	**11,179,983**	**48,306,635**	**59,486,618**

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

In thousands of CZK

	Loans to other than credit institutions	Total
Balance at 1 January 2019	**139,539**	**139,539**
Impairment losses recognised during the year	53,170	**53,170**
Reversals (release) of impairment losses recognised during the year	-	**-**
Balance at 31 December 2019	**192,709**	**192,709**

B LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Company flexible and limits its dependency on one financing source. Liquidity risk is evaluated by monitoring changes in the structure of financing and comparing these changes with the Company's liquidity risk management strategy.

Typically, the Company 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 overview below provides an analysis of the Company's 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 disclosed.

As of the date of preparation of the financial statements, the Company records undrawn credit facilities described in Section 17, which guarantee sufficient additional liquidity of the Company. At the same time, current assets significantly exceed current liabilities.

MATURITIES OF FINANCIAL LIABILITIES

AS AT 31 DECEMBER 2020

In thousands of CZK

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	**65,837,422**	66,676,186	74,203	546,139	34,201,960	31,853,884
Financial instruments and financial liabilities	**3,541,174**	3,360,303	-	532,067	2,275,543	552,692
Trade payables and other liabilities	**23,100**	23,100	23,100	-	-	-
Total	**69,401,696**	**70,059,589**	**97,303**	**1,078,206**	**36,477,503**	**32,406,576**

(1) Contractual cash flows disregard discounting to net present value and include potential future interest.

AS AT 31 DECEMBER 2020

In thousands of CZK

	Carrying amount	Contractual cash flows(1)	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	**66,197,936**	72,519,725	459,211	872,537	38,799,934	32,388,043
Financial instruments and financial liabilities	**2,730,551**	3,263,524	-	396,632	1,991,045	875,847
Trade payables and other liabilities	**28,651**	28,651	28,651	-	-	-
Total	**68,957,138**	**75,811,900**	**487,862**	**1,269,169**	**40,790,979**	**33,263,890**

(1) Contractual cash flows disregard discounting to net present value and include potential future interest.

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

C INTEREST RATE RISK

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest- earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Company'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 thousands of CZK

	Up to 1 year	1–5 years	Over 5 years	Undefined maturity	Total
Assets					
Cash and cash equivalents	421,113	-	-	-	**421,113**
Trade receivables and other assets and tax receivables	-	-	-	3,997,268	**3,997,268**
Loans at amortised cost		41,955,799	-	-	**41,955,799**
Total	**421,113**	**41,955,799**	**-**	**3,997,268**	**46,374,180**
Liabilities					
Loans and borrowings[1]	17,026,953	19,603,065	28,720,836	486,568	**65,837,422**
Financial instruments and financial liabilities	3,541,174	-	-	**-**	**3,541,174**
out of which Derivatives – inflow (receivables)	*39,367,500*			-	*39,367,500*
– outflow (payables)	-	*(12,072,700)*	*(27,294,800)*	-	*(39,367,500)*
Trade payables and other liabilities	-	-	-	23,100	**23,100**
Total	**20,568,127**	**19,603,065**	**28,720,836**	**509,668**	**69,401,696**
Net interest rate risk position	**(20,147,014)**	**22,352,734**	**(28,720,836)**	**3,487,600**	**(23,027,516)**
Net interest rate risk position (incl. IRS)	**19,220,486**	**10,280,034**	**(56,015,636)**	**3,487,600**	**(23,027,516)**

(1) Disregarding agreed interest rate swaps.

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

In thousands of CZK

	Up to 1 year	1–5 years	Over 5 years	Undefined maturity	Total
Assets					
Cash and cash equivalents	117,185	-	-	-	**117,185**
Trade receivables and other assets and tax receivables	-	-	-	11,179,983	**11,179,983**
Loans at amortised cost	14,873,450	33,433,185	-	-	**48,306,635**
Total	**14,990,635**	**33,433,185**	**-**	**11,179,983**	**59,603,803**
Liabilities					
Loans and borrowings[1]	19,032,543	18,956,966	27,786,164	422,263	**66,197,936**
Financial instruments and financial liabilities	2,730,551	-	-	**-**	**2,730,551**
out of which Derivatives – inflow (receivables)	*38,115,000*	-	-	-	*38,115,000*
– outflow (payables)	-	*(4,065,600)*	*(34,049,400)*	-	*(38,115,000)*
Trade payables and other liabilities	-	-	-	28 651	**28 651**
Total	**21,763,094**	**18,956,966**	**27,786,164**	**450,914**	**68,957,138**
Net interest rate risk position	**(6,772,459)**	**14,476,219**	**(27,786,164)**	**10,729,069**	**(9,353,335)**
Net interest rate risk position (incl. IRS)	**31,342,541**	**10,410,619**	**(61,835,564)**	**10,729,069**	**(9,353,335)**

(1) Disregarding agreed interest rate swaps.

SENSITIVITY ANALYSIS

The Company performs stress testing using a standardised interest rate shock, 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 interest rates would have increased or decreased Company's profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In thousands of CZK

	31/12/2020	31/12/2019
	Profit (loss)	Profit (loss)
Decrease in interest rates by 1%	(192,205)	(313,425)
Increase in interest rates by 1%	192,205	313,425

D FOREIGN EXCHANGE RISK

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other that the Company's functional currency, primarily EUR.

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 nominal 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 functional currency against the foreign 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 Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot FX rates when necessary to address short-term imbalances on the single Companies level.

As of 31 December 2020, Company's financial assets and liabilities based on denomination were as follows:

In thousands of CZK

	CZK	EUR	Other	Total
Assets				
Cash and cash equivalents	24,421	396,692	-	**421,113**
Trade receivables and other assets and tax receivables	14,614	3,982,654	-	**3,997,268**
Loans at amortised cost	-	41,955,799	-	**41,955,799**
	39,035	**46,335,145**	**-**	**46,374,180**
Off-balance sheet assets				
Receivables from derivative operations	-	39,367,500	-	39,367,500
	-	**39,367,500**	**-**	**39,367,500**
Liabilities				
Loans and borrowings	-	65,837,422	-	**65,837,422**
Financial instruments and financial liabilities	3,541,174	-	-	**3,541,174**
Trade payables and other liabilities	20,290	483	2,327	**23,100**
	3,561,464	**65,837,905**	**2,327**	**69,401,696**
Off-balance sheet liabilities				
Commitments received	-	10,498,000	-	10,498,000
Payables related to derivative operations	-	39,367,500	-	39,367,500
	-	**49,865,500**	**-**	**49,865,500**
Net FX risk position	**(3,522,429)**	**(19,502,760)**	**(2,327)**	**(23,027,516)**
Effect of currency hedging	-	11,547,800	-	11,547,800
Net FX risk position after hedging	**(3,522,429)**	**(7,954,960)**	**(2,327)**	**(11,479,716)**

Off-balance sheet assets are described in more detail in Note 17 – *Commitments and contingencies*.

The Company's foreign exchange risk exposure as at 31 December 2019 was as follows:

In thousands of CZK

	CZK	EUR	Other	Total
Assets				
Cash and cash equivalents	70,704	46,481	-	**117,185**
Trade receivables and other assets and tax receivables	18,742	11,161,241	-	**11,179,983**
Loans at amortised cost	-	48,306,635	-	**48,306,635**
	89,446	**59,514,357**	**-**	**59,603,803**
Off-balance sheet assets				
Receivables from derivative operations	-	38,115,000	-	38,115,000
	-	**38,115,000**	**-**	**38,115,000**
Liabilities				
Loans and borrowings	-	66,197,936	-	**66,197,936**
Financial instruments and financial liabilities	2,730,551	-	-	**2,730,551**
Trade payables and other liabilities	25,981	283	2,387	**28,651**
	2,756,532	**66,198,219**	**2,387**	**68,957,138**
Off-balance sheet liabilities				
Commitments received	-	38,115,000	-	38,115,000
Payables related to derivative operations	-	6,352,500	-	6,352,500
	-	**44,467,500**	**-**	**44,467,500**
Net FX risk position	**(2,667,086)**	**(6,683,862)**	**(2,387)**	**(9,353,335)**
Effect of currency hedging	-	11,180,400	-	11,180,400
Net FX risk position after hedging	**(2,667,086)**	**4,496,538**	**(2,387)**	**1,827,065**

Off-balance sheet assets are described in more detail in Note 17 – Commitments and contingencies. The following significant exchange rates applied during the period:

In thousands of CZK

	2020		2019	
CZK	Average rate	Reporting date rate	Average rate	Reporting date rate
EUR	26.444	26.245	25.672	25.41

SENSITIVITY ANALYSIS

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR at the reporting date would have an impact on profit or loss and other comprehensive income for the accounting period due to a positive (negative) revaluation of net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Company 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 thousands of CZK

	31/12/2020	31/12/2019
	Profit (loss)	Profit (loss)
EUR (5% strengthening of CZK)	397,748	(224,827)

Effect in thousands of CZK

	31/12/2020	31/12/2019
	Other comprehensive income	Other comprehensive income
EUR (5% strengthening of CZK)	577,390	559,020

A weakening of the Czech crown against the above currency at the reporting date would have had the equal but opposite effect, on the basis that all other variables remain constant.

E OPERATIONAL RISK

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all activities and is faced by all business organisations. Operational risk includes legal risk.

The primary responsibility for the implementation of controls to address operational risk is assigned to the Company's management. General standards applied cover the following areas:

- requirements for the reconciliation and monitoring of transactions
- identification of operational risk within the control system,
- this overview of the operational risk events allows the Company to specify the direction of the steps and process to take in order to limit these risks, as well as to make decisions regarding:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

F CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of its business.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company is not subject to externally imposed capital requirements.

The Company also monitors its debt to adjusted capital ratio. At the end of the reporting period, the ratio was as follows:

In millions of CZK

	31 December 2020	31 December 2019
Total liabilities bearing interest	65,837	66,198
Less: cash and cash equivalents	421	117
Net debt	**65,416**	**66,081**
Total equity attributable to the equity holders	113,515	126,731
Less: amounts accumulated in equity relating to cash flow hedges	(1,747)	(1,440)
Adjusted capital	**115,262**	**128,171**
Debt to adjusted capital	**0.57**	**0.52**

G HEDGE ACCOUNTING

CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK WITH NON-DERIVATIVE FINANCIAL LIABILITY

The Company applies hedge accounting for financial instruments designed to hedge foreign currency risk of cash-flows denominated in a foreign currency (EUR). The hedging instruments were loans drawn in EUR in total amount of EUR 440 million. The hedged cash inflows in EUR arising from EUR denominated transactions were expected to occur and impact profit or loss in periods of 2021 to 2033.

Notes to the financial statements

CASH FLOW HEDGES – HEDGE OF INTEREST RATE RISK

The Company applies hedge accounting for hedging instruments designed to hedge the interest rate risk of its debt financing. The hedging instruments were interest rate swaps used to hedge the risk related to the repricing of interest rates on debt financing. As a result of the hedge relationship, the Company recorded a negative interest rate cash flow hedge reserve of CZK (2,608,843) thousand (2019: negative CZK (2,613,820) thousand).

The Company has interest rate swaps in the nominal value of EUR 750 000 thousand with maturity in 2023–2026 and fixed interest rates of 0.988%–1.16%.

The following table shows details of cash flow hedges involving interest rate swaps recognised as at 31 December 2020:

In millions of CZK

	31 December 2020	
	Hedged nominal amount (purchase)	Hedged nominal amount (sale)
Less than 3 months	-	-
3 months to 1 year	-	-
1–5 years	4,199	4,199
More than 5 years	15,485	15,485
Total	**19,684**	**19,684**

20. Related parties

IDENTITY OF RELATED PARTIES

The Company 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

The Company had transactions with related parties, its parent company, and other related parties, as follows:

In thousands of CZK

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
Subsidiaries	46,436,975	-	(59,656,769)	-
Other*	15,933	13,720	20,031	19,301
Total	**46,452,908**	**13,720**	**59,676,800**	**19,301**

* Entities under Energetický a průmyslový holding a.s. Daniel Křetínský is 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 thousands of CZK

	Revenues	Expenses	Revenues	Expenses
	2020	2020	2019	2019
Subsidiaries	1,233,886	-	14,129,610	-
Other*	10,787	28,620	10,659	31,544
Total	**1,244,673**	**28,620**	**14,140,269**	**31,544**

* Entities under Energetický a průmyslový holding a.s. Daniel Křetínský is the ultimate shareholder.

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

TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

Except as summarised below, the members of the Board of Directors and the Supervisory Board of the Company did not receive any other significant monetary or non-monetary performance for 2020 and 2019. At the same time, members nominated by EPIF Investment a.s. (shareholder of EPIF) were also employed by other companies of the EPH Group.

The remuneration to the members of the Board of Directors and the Supervisory Board of the Company for exercising their offices was CZK 16,600 thousand (2019: CZK 16,600 thousand). For details, please refer to Note 13 – *Personnel expenses*.

Social security and health insurance liabilities were not overdue.

21. Subsequent events

As of the date of the issuance of these financial statements, the Company is completing the preparation of the emission of senior unsecured bonds with a nominal value of EUR 500 million with an expected maturity in 2031 and the estimated completion date of the transaction on 2 March 2021.

Subsequent to the balance sheet date, there were no other events with a material impact on the Company's financial statements as at 31 December 2020.