

**EP Infrastructure, a.s.**

**Consolidated annual report for the year  
2021**

„THIS ANNUAL REPORT IS A COPY OF THE OFFICIAL  
ANNUAL REPORT PREPARED IN THE XHTML  
FORMAT.“

## **CONTENT**

- I. Introduction by the Chairman of the Board of Directors**
- II. Independent Auditor's Report to the Consolidated Annual Report**
- III. Other Information**
- IV. Report on relations**
- V. Consolidated Financial Statements and Notes to the Consolidated Financial Statements**
- VI. Independent Auditor's Report to the Statutory Financial Statements**
- VII. Statutory Financial Statements and Notes to the Statutory Financial Statements**

**I. Introduction by the Chairman of the Board of Directors**

## INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders, business partners, colleagues and friends,

In 2021, 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 district heating 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 a 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 which was as demonstrated by strong results in 2020 and 2021 which were affected by COVID-19 pandemic.

In the recent weeks, our attention has been focused on the military conflict following the Russian invasion of Ukraine at the end of February and we have been appalled by the human tragedy induced by military aggression on a neighbouring country. The ongoing conflict represents a potential risk for our operations, but we believe that the EPIF Group business is robust, well diversified and underpinned by importance of its infrastructure for energy security in Europe.

After strong results in two consecutive periods 2019 and 2020, performance of the Gas transmission segment in 2021 was adversely affected by extraordinarily low reverse gas flows from Slovakia to Ukraine and relatively low flows in general which was partly compensating the effect of extraordinarily high gas shipments in both east-to-west and west-to-east directions during 2020. The incentive to ship gas to storage facilities in Ukraine was limited due to high prices of natural gas throughout 2021 and also due to relatively full local gas storage assets filled during the second half of 2020 when the local capacities were marketed at attractive prices. In addition, overall flows of Russian gas to Europe were reduced during 2021 with limited flows on top of long-term booked shipments. As a result, Eustream transported 42 billion cubic metres of natural gas in 2021, which was 27% less year on year. Despite challenging market circumstances, Eustream continued with modernization and enhancement of its pipeline to maintain its pivotal role as one of the largest and most important piped gas transit routes in Europe. Eustream continued with construction of a strategic Slovakia – Poland interconnector with commissioning of the route planned in the first half of 2022, which would provide access to Polish LNG. Following the extension of the CS05 compressor station finalized in 2020 increasing capacities from the Czech Republic to Slovakia, the interconnection to Poland represents another milestone enhancing energy security in Europe and creating new business opportunities for Eustream. The construction of this interconnection

is a strategic project that has received financial support from EU funds under the CEF Programme. The extended capacities at Lanžhot entry/exit point and new interconnection to Poland ensure readiness of our pipeline to accommodate flows not only in the traditional east-west direction but also from north to south. We also remain best positioned to provide the gas import need of Ukraine through reverse gas flows.

After demonstrating extraordinary resilience during the COVID-19 related economic slowdown in 2020, the Gas and power distribution segment reported strong results in 2021 driven by favourable weather patterns as well as higher household consumption of gas during COVID-19 induced lockdowns. In 2021, SPP Distribúcia, the Slovak regulated natural monopoly, distributed more than 59 TWh of natural gas, which was 10% more year on year. Stredoslovenská distribučná, the monopoly electricity distributor in central Slovakia, distributed 6.4 TWh of electricity in 2021, which was 9% above the last year's volume reflecting increased economic activity of major industrial customers after COVID-19 related interruptions in 2020. Nevertheless, volumes distributed to industrial customers have limited impact on financial performance as a bigger share of revenues is derived from fixed capacity payments, while the volume risk connected with gas and power distribution tariffs applies primarily to households. We also kept on renovating, reconstructing and increasing the efficiency of our networks. We aim to continuously reduce the number of leaks in the gas distribution network and ensure a high level of its security. When operating the backbone electricity network, we strive to not only ensure continuity of traditional distribution services but to also reflect modern trends such as deployment of smart meters. Similarly to prior year, the total capital expenditures incurred by the Gas and power distribution segment in 2021 exceeded EUR 80 million. Strong financial performance in 2021 was impacted by challenging circumstances in the supply division experienced by Stredoslovenská energetika, which acts as a supplier of the last resort in central Slovakia. It began to supply power and gas at regulated prices to thousands of new customers who lost their supplier during turbulent development of electricity prices in 2021. We gladly assumed responsibility and transferred these customers to our portfolio, although the short-term financial impact was slightly negative.

Performance of the Heat Infra segment was favourably affected by weather as well as development of commodity prices. Average temperatures in the first half of the year 2021 were significantly lower than in years 2019 and 2020, increasing heat offtake from our currently operated district heating networks by 10% year on year to 8.4 PJ. We also confirmed our position of a major power producer in the Czech Republic as our plants increased output by 26% year on year to 2.6 TWh in response to high electricity prices. The positive effect was further pronounced by increase of biomass in our fuel mix after two boilers operated by Plzeňská teplárenská and United Energy were refurbished, enabling a partial replacement of lignite through biomass. The realization of projects aimed at reduction of our carbon exposure already in the first half of 2021 proved also to be financially rewarding as the price of emissions has significantly increased since then. As an important provider of ancillary services, EPIF Group also significantly contributed to the transmissions network's stability in the Czech Republic. 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 the boiler refurbishments mentioned earlier and a reconstruction of the main heat feeding line to Litvínov. Projects in the following years will be shaped by EPIF commitment to reduce carbon emissions from its existing heating plants by 60% and abandoning coal as a primary energy source by 2030, while ensuring continuity of

supplies at affordable prices for end consumers. For 2022, we managed to keep the heat price increases broadly in line with the current rate of inflation, although on the market we have seen unprecedented rise in prices of key commodities such as power or gas during 2021, representing a major burden on household budgets.

After extraordinary performance of the Gas storage segment in 2020 driven by a price effect, the rates charged for storage in our region declined in response to high gas prices, reducing the incentive to store gas seasonally. While gas storage facilities were unusually stocked after the warm winter in 2019/2020, the colder weather coupled with reduced flows of Russian gas in 2021 resulted in unusually low levels of stored gas across Europe. 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 2021, we also continued to invest in the operational security, storage technology modernisation, automation enhancement and utilisation of collected information to further optimise processes. In the light of recent events in Ukraine, we believe that gas storage facilities are vital strategic assets to enhance energy security in Europe.

Despite challenging circumstances and unfavourable dynamics on the European gas markets which adversely affected the Gas Transit and Gas Storage segments, the EPIF Group demonstrated its resilience stemming from diversification across the gas and power value chains and high portion of revenues being 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. The contribution of individual segments to EPIF Group financials was more balanced in 2021 with the share of Gas transit declining to 34% of Group proportionate Adjusted EBITDA<sup>2</sup>, while the share of traditional regulated utilities such as Gas and power distribution and predominantly regulated Heat infrastructure business relatively increased. Segmental results demonstrated diversification across individual segments as the weaker performance at Gas transit and Gas storage was accompanied by strong results of the Heat infrastructure segment owing to favourable power spreads, while Gas and Power distribution segment once again proved its stability. Consolidated Adjusted EBITDA<sup>1</sup> for 2021 was EUR 1 277 million, which is a 12% decline as compared to last year, when adjusted for the effect of two entities in the Heat Infra segment disposed in the last quarter of 2020. At the same time, we recorded the decline in Adjusted Free Cash Flow<sup>3</sup> to EUR 785 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. We believe that the following years will further underline the importance of our gas midstream infrastructure for energy security and transition to low-carbon economy in Europe. While the gas transit pipeline in Slovakia represents an important crossroad in this part of Europe, the gas storage facilities are increasingly viewed as strategic assets essential to ensure stability of supplies for end consumers.

EPIF aims at playing an active role in the current European ambition to increase EU energy independency on a single supplier and intends to present shortly very specific and significant initiatives.

Acknowledging the impact of its operations on communities and other stakeholders, EPIF also issued its third sustainability report during 2021 enabling readers to get a better understanding of our approach to environmental, social and governance matters. Our efforts in this area were reflected in strong ESG rating of 20.0 from Sustainalytics in June 2021, placing EPIF in the low-risk category, 6<sup>th</sup> out of 62 companies in the multi-utilities sector. In addition, in September 2021 EPIF obtained ESG rating score of 66 out of 100 points from S&P Global Ratings Europe Limited, slightly improving our inaugural rating of 65/100 from 2020.

To conclude, we 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 EPIF Board of Directors*



Gary Mazzotti

*Vice-chairman of EPIF Board of Directors and CEO*

<sup>1</sup> Adjusted EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, profit (loss) from derivative financial instruments, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates, depreciation of property, plant and equipment and amortisation of intangible assets, and negative goodwill, adjusted by (a) excluding impairment charges relating to property, plant and equipment and intangible assets (2021: EUR 3 million; 2020: EUR 2 million), (b) excluding Gain from sale of unused non-operational land and other assets and other selected non cash gains related to assets (2021: EUR 0 million; 2020: EUR 4 million) (c) adding back (if negative) or deducting (if positive) 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 (2021: EUR -1 million; 2020: EUR 90 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	Other	Holding entities	Intersegment eliminations	Consolidated financial information
<b>Year 2021</b>									
Profit (loss) for the year	261	214	44	111	630	(1)	579	-606	<b>602</b>
Income tax expenses	86	70	8	34	198	-	7	-	<b>205</b>
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	1	-	<b>1</b>
Share of profit of equity accounted investees, net of tax	-	-	-	-	-	(1)	-	-	<b>(1)</b>
Finance income	(1)	(3)	(3)	(2)	(9)	-	(657)	627	<b>(39)</b>
Finance expense	31	12	3	5	51	1	68	(21)	<b>99</b>
Profit (loss) from derivative financial instruments	(14)	2	(2)	2	(12)	2	(8)	-	<b>18</b>
Depreciation and amortisation	116	226	54	31	427	3	-	-	<b>430</b>
<b>Underlying EBITDA</b>	<b>479</b>	<b>521</b>	<b>104</b>	<b>181</b>	<b>1,285</b>	<b>4</b>	<b>(10)</b>	<b>-</b>	<b>1,279</b>
Impairment losses (gains) - Property, plant and equipment and intangible assets <sup>(1)</sup>	-	(1)	-	(2)	(3)	-	-	-	<b>(3)</b>
System Operation Tariff surplus / deficit <sup>(3)</sup>	-	1	-	-	1	-	-	-	<b>1</b>
<b>Adjusted EBITDA</b>	<b>479</b>	<b>521</b>	<b>104</b>	<b>179</b>	<b>1,283</b>	<b>4</b>	<b>-10</b>	<b>-</b>	<b>1,277</b>

Key Metrics	Gas Transmission	Gas and Power Distribution	Heat Infra	Gas Storage	Total segments	Other	Holding entities	Intersegment eliminations	Consolidated financial information
<b>Year 2020</b>									
Profit (loss) for the year	374	268	153	140	935	2	1,440	(883)	<b>1,494</b>
Income tax expenses	128	91	14	43	276	-	(11)	-	<b>265</b>
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	(79)	-	(79)	-	(705)	-	<b>(784)</b>
Share of profit of equity accounted investees, net of tax	-	-	-	-	-	(1)	-	-	<b>(1)</b>
Finance income	(1)	(3)	(1)	(2)	(7)	-	(924)	926	<b>(5)</b>
Finance expense	40	17	(21)	6	42	-	151	(39)	<b>154</b>
Profit (loss) from derivative financial instruments	7	(2)	(2)	-	3	-	40	(4)	<b>39</b>
Depreciation and amortisation	130	220	76	31	457	3	-	-	<b>460</b>
<b>Underlying EBITDA</b>	<b>678</b>	<b>591</b>	<b>140</b>	<b>218</b>	<b>1,627</b>	<b>4</b>	<b>(9)</b>	<b>-</b>	<b>1,622</b>
Impairment losses (gains) - Property, plant and equipment and intangible assets <sup>(1)</sup>	-	-	-	(4)	(4)	2	-	-	<b>(2)</b>
Gain from sale of unused non-operational land and other assets and other selected non-cash gains related to assets <sup>(2)</sup>	-	-	(4)	-	(4)	-	-	-	<b>(4)</b>
System Operation Tariff surplus / deficit <sup>(3)</sup>	-	(90)	-	-	(90)	-	-	-	<b>(90)</b>
<b>Adjusted EBITDA</b>	<b>678</b>	<b>501</b>	<b>136</b>	<b>214</b>	<b>1,529</b>	<b>6</b>	<b>(9)</b>		<b>1,526</b>

<sup>2</sup> Proportionate Adjusted EBITDA represents Adjusted EBITDA, taking into consideration the proportionate ownership of the Company in its subsidiaries

<sup>3</sup> Adjusted Free Cash Flow represents Cash flows generated from (used in) operations, less Income taxes paid and less Acquisition of property, plant and equipment, investment property and intangible assets, less Purchase of emission rights and disregarding changes in restricted cash as presented in the consolidated statement of cash flows of the Group, adjusted for: (i) Underlying EBITDA effect of the SOT (2021: EUR -1 million; 2020: EUR 90 million ) and (ii) working capital impact of the SOT (2021: EUR 24 million; 2020: EUR 39 million).

## **II. Independent Auditor's Report to the Consolidated Annual Report**

**“THE REPORT BELOW REPRESENTS THE AUDITOR’S REPORT  
THAT RELATES SOLELY AND EXCLUSIVELY TO THE OFFICIAL  
ANNUAL REPORT PREPARED IN THE XHTML FORMAT.”**

## **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 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

#### Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, 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
<b>Revenue recognition of accrued energy delivery</b>	
<p>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.</p>	<ul style="list-style-type: none"> <li>- We have obtained understanding of the design and implementation of relevant controls over the determination of the amounts of energy not yet invoiced.</li> <li>- Testing the accuracy of a sample of data on which estimate is made, including reconciliation of input parameters to underlying documentation.</li> <li>- Testing whether the assumptions used are appropriate given the measurement objective and analytical testing of the balance accrued.</li> <li>- Assessment of the Group's revenue recognition policy for compliance with IFRS.</li> <li>- Assessment whether the Group's revenue recognition-related disclosures in the consolidated financial statements describe the relevant quantitative and qualitative information required by IFRS.</li> </ul>
<b>Valuation of energy fixed assets</b>	
<p>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:</p> <ul style="list-style-type: none"> <li>- Future cash flows of each cash-generating unit.</li> <li>- The discount rate specific to the assets owned by the Group.</li> <li>- The weighted cost of capital.</li> </ul> <p>The above assumptions require management to make highly-subjective judgements regarding long-term periods, including the impact of the sustainability concept, financial performance of the investments and the use of discounts.. The complexity of judgement involved in the valuation is the reason for this being a key audit matter.</p>	<ul style="list-style-type: none"> <li>- Our audit procedures included assessment of the appropriateness of the valuation method and testing of the measurement of carrying amounts.</li> <li>- Our procedures also included inquiries of the management concerning year-on-year changes in the fixed assets book values.</li> <li>- We evaluated the appropriateness of management's identification of the Group's CGUs.</li> <li>- We obtained an understanding of the budget preparation and impairment assessment process, including indicators of impairment.</li> <li>- 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.</li> </ul>

#### Emphasis of Matter

We draw attention to Note 36 to the financial statements which describes uncertainty resulting from subsequent event – military conflict of Russian Federation in Ukraine and related sanctions, which might have a material impact on valuation of gas assets of the entity and its future cash flows. Our opinion is not modified in respect of this matter.

#### 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 2 years.

#### 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 25 March 2022 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 2021 included in the consolidated annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 25 March 2022

Audit firm:

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



Statutory auditor:

David Batal  
registration no. 2147



### **III. Other Information**

## **1) Expected development of the EP Infrastructure, a.s. Group ("EPIF Group" or "Group")**

In 2022, 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.

### **COVID-19**

In 2021, the EPIF Group's operations have proven to be significantly resilient to the COVID-19 impacts, they 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. In addition, demand for these key commodities proved to be resilient and the volumes transited or distributed through EPIF infrastructure were not materially affected. 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.

### **Russian invasion of Ukraine**

Further, in the context of the ongoing military invasion in the territory of Ukraine and associated sanctions targeting the Russian Federation, the Company has identified risks and taken relevant measures to mitigate the related impacts on its business activities. Based on the available information and the most recent developments, the Company has been analysing the situation on an ongoing basis, assessing its impacts on the Company and its subsidiaries. In particular, EPIF Group is exposed to, among others, an increased counterparty risk related to Russian gas flows even though the revenue is based on ship-or-pay condition, and a potential major pressure on liquidity driven by the prolonged upward trend in commodity prices.

Although major portion of the revenues are based on already booked transit capacities and not dependent on actual gas flows, major disruptions or complete halt of the flows of Russian gas to Europe might compromise the ability or willingness of our counterparties to honour their obligations towards EPIF Group. Such situation may stem from the escalation of sanctions against the Russian Federation which may be targeted directly at the energy sector or as a retaliation from the Russian Federation. Furthermore, the ongoing military conflict might cause infrastructure damage or other operational issues preventing Russian gas from being transited through pipelines in Ukraine. Under these scenarios when Russian gas would be severely restricted or completely prevented from reaching European markets, the missing gas volumes would have to be compensated from other sources. Key markets relevant for eustream (mainly Central and Southern Europe) would still need to be sourced with natural gas and there are no alternative routes with sufficient capacity that could replace eustream. The alternative sources of gas could come to our network from North (entry points Lanžhot and Strachocina) or South (entry point Velke Zlieve) direction, which might also include increased flows from LNG shipments through regasification terminals in Poland, Croatia or Germany to supply the aforementioned markets.

Owing to major investment projects in previous years, eustream offers adequate capacities to accommodate significant gas flows in various directions other than the traditional east-west route. So far there have been no indications that our counterparties would be unwilling to honour their obligations or that they would be subject to direct sanctions. In particular, none of the capacity payments (including those from the Russian client) have been delayed, none of the sanctions are targeting natural gas flows to Europe or any of EPIF Group's customers, none of the SWIFT sanctions are limiting the ability of EPIF Group's customers to pay their obligations towards EPIF Group and no sanctions are presently resulting in pressure on EPIF Group liquidity.

The invasion further exacerbated the uncertainty and volatility on the commodity markets which prevailed already in the second half of 2021. Increasing prices of power and gas might represent major strain on liquidity as the EPIF Group uses hedging at energy exchanges, which can lead to cash outflows to cover the margin calls used by the exchange to manage the counterparty risk. The EPIF Group has been so far able to comfortably meet the margin calls, while having additional liquidity in form of own cash or available committed credit lines. Given the

ongoing uncertainty, it is nearly impossible to predict future development in commodity prices which have repeatedly escalated to record levels in the preceding months.

On the other hand, high electricity prices present a significant upside potential for the generation plants of the EPIF Group, which produced 2.6 TWh of electricity in 2021. The volumes currently produced are largely sold at relatively lower prices hedged already in the period before they reached current levels. The full positive impact of power prices currently observed will be primarily realized in the following years, as the plants gradually sell the planned production volumes at these prices. A potential scenario with low availability of natural gas in Europe would likely be accompanied by even higher pressure on power prices, representing a major mitigant for the negative impact from potential disruptions to Russian gas flows.

The Company's management has evaluated the potential impacts of the overall situation on its activities and its business and has concluded that they have no significant impact on the Company's consolidated financial statements for the year ended 31 December 2021 and the going concern assumption as of the date of preparation of the financial statements. However, given the unprecedented socio-economic challenges in the context of the war in Ukraine, it cannot be ruled out that there may be further negative developments in the situation which could subsequently have a significant negative impact on EPIF Group, its business activities, financial conditions, performance, cash flows and general outlook. Further details are provided in the Note 36 of Consolidated Financial Statements as of and for the year ended 31 December 2021.

#### ***Other information about subsequent events that occurred after the reporting date***

Except for the subsequent events described in the Note 36 of Consolidated Financial Statements as of and for the year ended 31 December 2021, management is not aware of any additional subsequent events that occurred after reporting date to be disclosed.

## **2) Management and Governance**

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.

The Audit Committee is established as a separate corporate body of the Company responsible for performance of controlling functions in the field of audit (both internal and external including statutory) and accounting.

The Risk Committee is responsible for overseeing risk management policies and practices of the Group's operations, implement a monitor compliance with the Group's risk management procedures and risk control infrastructure.

#### ***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.

### ***Senior Management***

The senior management of the Group consists of CEO, the Finance Director, the Director of Financing and Treasury and four segment directors.

#### **Václav Paleček**

##### *Finance Director*

Mr. Paleček has been the Finance Director since 1 June 2020.

Mr. Paleček has also been the chief financial officer of EP Energy since 1 June 2020. He has been employed in the EPH group since 2014. He also serves on the Company's risk committee and Stredoslovenská energetika, a.s. and SPP Infrastructure, a.s. audit committee. Mr. Paleček is also a member of the board of directors of Elektrárny Opatovice, a.s. and POWERSUN a.s.; a managing director of VTE Pchery, s.r.o., MR TRUST s.r.o, ARISUN, s.r.o., Triskata, s.r.o. and Alternative Energy, s.r.o.; a member of the supervisory board of EP Energy and of Plzeňská teplárenská, a.s.

In his previous role, Mr. Paleček served as the Head of Group Controlling and Financial Reporting in EP Power Europe, a.s., an energy utility focusing on power generation, lignite mining and renewables with operations across Western and Central Europe. In his role in newly formed group, Mr. Paleček established and developed a central controlling function, which involved, among others, budgeting, planning, forecasting, controlling and reporting. Mr. Paleček also introduced a new group-wide reporting tool that streamlined and unified the reporting process across EP Power Europe, a.s.

Before joining EPH, Mr. Paleček spent five years at KPMG, where he held various positions focused on financial reporting under IFRS, US GAAP or Czech accounting standards. His portfolio of clients comprised namely energy, utility, telco and automotive segments.

Mr. Paleček holds a master's degree in economics from the University of Economics in Prague, is a member of Association of Chartered Certified Accountants (ACCA) and holds an Advanced Diploma in Accounting and Business.

Mr. Paleček has more than 12 years of experience in corporate finance through his positions in KPMG and EPH group. In particular, he led or participated on several projects in areas of M&A, corporate restructuring, refinancing including primarily bank debt and bonds, cooperation with rating agencies and also recently has been involved in ESG initiatives in EPIF.

#### **Tomáš Miřacký**

##### *Director of Financing and Treasury*

Mr. Miřacký has been the Director of Financing and Treasury since 1 March 2017.

Mr. Miřacký is also Deputy Chief Financial Officer of EPH and holds other positions outside of the Group. He has been employed in the EPH group since November 2012.

Mr. Miřacký is also a member of the board of directors of POZAGAS a.s. and EP UK Finance Limited and serves on the Company's risk committee. Prior to joining the Group, Mr. Miřacký worked for over eight years on different positions at The Royal Bank of Scotland (previously ABN AMRO Bank).

From 2004 until 2012, as part of ABN AMRO Bank and later as part of the Royal Bank of Scotland, Mr. Miřacký held different positions with focus on corporate finance in the Czech and Slovak Republic. In the following years, Mr. Miřacký focused on corporate financing in Germany and Austria. During this time, Mr. Miřacký gained detailed knowledge of different financing solutions including working capital and capital expenditures financing, leverage increasing transactions, acquisitions, bank guarantees and bonds and cooperated with different teams within the Czech Republic and Europe. Since 2012, as part of the Group, Mr. Miřacký worked on many of the Group's financing transactions. Mr. Miřacký subsequently participated in designing the financing strategies of the Group and EPH, including its subsidiaries. The scope of Mr. Miřacký practice covers bank debt, bonds, working capital lines, rating and all related activities, including managing the legal streams in cooperation with

legal teams. Apart from financing, Mr. Miřacký actively participates in the Group's risk management and its ESG initiatives.

Mr. Miřacký holds a master's degree in law from Masaryk University in Brno and bachelor's degree in business administration from University of New York in Prague.

### **Tomáš Mareček**

*Director of the Gas Transmission Business*

Mr. Mareček has been the Director of Gas Transmission Business since 24 January 2013. He also serves as chairman of the board of directors of eustream, a.s. since 2013.

Mr. Mareček is also a member of the board of directors of Mall Group a.s.; and a member of the supervisory board of Košík.cz s.r.o.

Mr. Mareček has more than 15 years of experience and in his previous roles he also served in the supervisory board of EP Industries, a.s. and held the positions of senior analyst of mergers and acquisitions at J&T and financial officer at Kablo Vrchlabí a.s.

In the past five years, Mr. Mareček served as a chairman of the board of directors of Mall Group a.s.; a member of the board of directors of Pražská teplárenská a.s. and PT Transit, a.s.; and member of the supervisory board of TERMONTA PRAHA a.s.

Mr. Mareček holds a master's degree in finance from the University of Economics in Prague.

### **David Onderek**

*Director of the Heat Infra Business*

Mr. Onderek has been the Director of the Heat Infra Business since 9 May 2016.

Mr. Onderek has also been the director of heat and cogeneration division and the head of investment committee of EP Energy since March 2013.

Mr. Onderek is also a chairman of the board of directors of United Energy a.s., Severočeská teplárenská, a.s., a member of the board of directors of Plzeňská teplárenská a.s., Elektrárny Opatovice a.s., EP Sourcing, a.s., EP Cargo a.s. and EP Resources CZ a.s.; a managing director of AISE, s.r.o.

Mr. Onderek has more than 20 years of experience and prior to joining the Group he worked as the head of portfolio development at ČEZ, a.s., a leading Czech energy company.

Mr. Onderek holds a M.Sc. degree in management of power generation and distribution from the Faculty of Electrical Engineering of the Czech Technical University in Prague and a master of business administration degree from the University of Pittsburgh.

### **František Čupr**

*Director of Gas and Power Distribution Business*

Mr. Čupr is the Director of Gas and Power Distribution Business since 2 January 2013. He also serves as chairman of the board of directors of Stredoslovenská distribučná, a.s. and SPP - distribúcia, a.s. since 2013. He also serves on the Company's risk committee and leads the Company's health and safety committee.

Mr. Čupr is also a chairman of the board of directors of SPP Infrastructure, a. s. and AC Sparta Praha fotbal, a.s.; a member of the board of directors of ACS PROPERTIES, a.s.; a managing director of FC Business s.r.o. and manager responsible predominantly for renewable energy sources.

Mr. Čupr has more than 20 years of experience in the business.

Mr. Čupr holds a master's degree in economics from the Faculty of Business and Economics of the Mendel University in Brno and a master of business administration from the Nottingham Trent University.

### **Martin Bartošovič**

*Director of Gas Storage Business*

Mr. Bartošovič is the Director of Gas Storage Business since 9 May 2016. Mr. Bartošovič has also been the chief executive officer and authorised signatory of NAFTA a.s. since October 2012 as well as a member of the board of directors of POZAGAS a.s. since June 2013 and its chairman since July 2016. Mr. Bartošovič is also a

managing director of SPP Storage, s.r.o. and CNG Holding Netherlands B.V. and a member of the board of directors of NAFTA Germany GmbH.

Prior to joining the Company, Mr. Bartošovič held the position of a member of the board of directors of SPP - distribúcia, a.s. and the position of division director of Slovenský plynárenský priemysel, a. s. Prior to that, he worked for six years at A.T. Kearney, a leading global management consulting firm and for two years at ING Bank, a leading international bank.

Mr. Bartosovic has more than 20 years of experience in the energy industry in addition to background in management consulting and banking. Prior to joining the Group, he held various positions at A.T. Kearney and ING Barings with focus on strategy, restructuring, post-merger-integration and mergers and acquisitions.

Mr. Bartošovič holds a Dipl. Ing. degree in corporate finance from the Faculty of Economics and Finance at the Slovak Agricultural University and took part in several study programs at the West Virginia University, University of Delaware and Cornell University.

### ***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. 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 members of the Board of Directors are engaged in the daily management of the Company and authorised to decide on the business management of the Company or its parts. Responsibilities for daily management of principle business activities of the Company are allocated to appropriate members of the Board of Directors based on their primary business focus and expertise. Each member of the Board of Directors is obliged to inform the Board of Directors how the Company's affairs are managed. The responsibility for decisions about the basic focus of business management and basic focus of supervision over the Company's activities rests with all members of the Board of Directors and the separation of powers between members of the Board of Directors does not release the other members of the Board of Directors from the equal responsibility for all decisions of the Board of Directors, or obligation to supervise how the Company's affairs are managed.

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.

### ***Members of the Board of Directors***

#### **Daniel Křetínský**

*Chairman of the Board of Directors*

Mr. Křetínský has been the Chairman of the Board of Directors since December 2013.

Mr. Křetínský was involved through his role as a partner in the J&T Group in the founding of EPH, the EPIF's parent company, where he has served as Chairman of the Board of Directors since 2009 and currently is also the majority owner of EPH. Mr. Křetínský serves on the boards of several companies that are affiliated with

EP Infrastructure, including its parent company EPH, NAFTA a.s., eustream, a.s., and its sister company EP Investment Advisors. He also holds positions at companies unaffiliated to EP Infrastructure, including Chairman of the Board of AC Sparta Praha.

Mr. Křetínský holds a bachelor's degree in political science as well as a master's degree and a doctorate in law from Masaryk University in Brno.

### **Gary Wheatley Mazzotti**

*Vice-chairman of the Board of Directors and Chief Executive Officer*

Mr. Mazzotti has been a member and Vice-Chairman of the Board of Directors since June 2017, and the Chief Executive Officer since August 2021. He also serves on the Company's risk committee.

Mr. Mazzotti is also a member of the board of directors of United Energy, a.s., Elektrárny Opatovice, a.s., Severočeská teplárenská, a.s., EP Power Europe, a.s. and EP Cargo a.s. and a member of the supervisory board of NAFTA a.s., SPP - distribúcia, a.s., Stredoslovenská distribučná, a.s., Stredoslovenská energetika Holding, a.s. and Plzeňská teplárenská, a.s..

Outside of the Group Mr. Mazzotti is also an independent director of International School of Prague.

Mr. Mazzotti has more than 30 years of experience in finance and operations, having joined the Company from Vienna Insurance Group where he was a member of the board and chief financial officer of Kooperativa pojišťovna, a.s., Vienna Insurance Group and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group and was responsible for VIG groups operations in Ukraine. Prior to this Mr. Mazzotti held the positions of senior investment director and chief financial officer of PPF Private Equity Division as well as chief financial officer and chief operating officer of AAA Auto a.s.

Mr. Mazzotti graduated in economics from the University of Reading in the United Kingdom, and is also a member of the Institute of Chartered Accountants (ACA).

### **Stéphane Brimont**

*Vice-chairman of the Board of Directors*

Stéphane Brimont is a representative of CEI Investments S.à r.l., a consortium managed by Macquarie Infrastructure and Real Assets (MIRA), which owns a 31% stake in EPIF.

Mr. Brimont has been a member of the Board of Directors since February 2017 with short break in 2020 and 2021, he was reappointed in November 2021 as a Vice-chairman. Mr. Brimont is the head of MIRA's French and Benelux operations and is a director of Autoroutes Paris-Rhin Rhône (APRR). He is also a director of the Brussels Airport and chairman of the supervisory board of MacqPisto. He began his career with the French government where he spent a total of eight years. In 2004, he joined Gaz de France as chief strategy officer and became their chief financial officer in 2007. Following the integration of Gaz de France and Suez, Mr. Brimont moved into a general management role.

Mr. Brimont graduated from Ecole Polytechnique and the Ecole Nationale des Ponts et Chaussées.

### **Pavel Horský**

*Member of the Board of Directors*

Mr. Horský has been a member of the Board of Directors since December 2013.

Mr. Horský is a member of the board of directors of EPH and chief financial officer of EPH and holds a number of other positions within the Group as well as outside the Group. At the same time, Mr. Horský serves as a member of the Company's risk committee. Prior to joining the Company, Mr. Horský held a market risk advisory position at the Royal Bank of Scotland.

Mr. Horský serves on boards of directors and supervisory boards of several of EPH's subsidiaries and affiliates, including EP Infrastructure a.s. and EP Power Europe a.s.

## **Marek Spurný**

### *Member of the Board of Directors*

Mr. Spurný has been a member of the Board of Directors since December 2013. Currently, Mr. Spurný is the chief legal counsel and a member of the board of directors of EPH and serves on multiple boards of companies within the Group, as well as outside the Group.

Prior to joining EPIF, Mr. Spurný held various positions within EPH, its subsidiaries and the J&T Group (prior to the formation of EPH). Between 1999 and 2004, Mr. Spurný worked for the Czech Securities Commission (the capital markets supervisory body at that time).

His background is legal. As such, he holds the position of Chief Legal Counsel of the Group, with main responsibilities for transaction execution, negotiations and implementation of merger and acquisition transactions, restructurings, and legal support in general. Within EP Energy, he also chairs the compliance committee. Mr. Spurný holds several positions in the corporate bodies of the group companies on the parent holding levels (member of the boards of directors of EPH), as well as the subsidiaries of EPH group, including subsidiaries in EPIF. Before joining the group, Mr. Spurný had been working for five years for the Czech Securities Commission, the former capital markets regulatory authority in the Czech Republic.

Mr. Spurný holds a law degree from Palacky University in Olomouc.

## **William Price**

### *Member of the Board of Directors*

William Price is a representative of CEI Investments S.à r.l., a consortium managed by Macquarie Infrastructure and Real Assets (MIRA), which owns a 31% stake in EPIF.

Mr. Price has been a member of the Board of Directors since October 2020. Before October 2020, he was a member of the Supervisory Board since February 2017 and its Vice Chairman since June 2017. Mr. Price is also a member of the board of directors of EP Energy.

Outside the Group, Mr. Price is also a vice-chairman of the board of directors of Towercom, a.s., pobočka Česká republika and a member of the board of directors of Czech Grid Holding, a.s. Mr. Price is a representative of CEI Investments S.à r.l., a consortium managed by MIRA, which owns a 31 per cent. stake in EPIF. Mr. Price has over ten years of experience in infrastructure investment and management, primarily in the utilities and energy sector. This experience is primarily across the UK, Germany and Central Europe.

He also holds non-executive board positions at various other MIRA-managed investments.

Mr. Price holds a bachelor's degree in economics and politics from the University of Bristol and a master of finance degree from INSEAD Business School

## **Milan Jalový**

### *Member of the Board of Directors*

Mr. Jalový has been a member of the Board of Directors since February 2017

Mr. Jalový holds the position of controlling director at EP Power Europe, a.s., and is the head of analytical team at EPH. He has been working within the EPH group since its establishment.

Mr. Jalový is also a member of the board of directors of Heureka Group a.s. and NADURENE 2, a.s., a managing director of EP Germany GmbH, Lausitz Energie Verwaltungs GmbH and EP Mehrum GmbH, a member of the supervisory board of EP Energy, Mall Group a.s., Lausitz Energie Bergbau AG and Lausitz Energie Kraftwerke AG.

Mr. Jalový holds a master's degree from the University of Economics in Prague and also the CEMS MIM degree.

## **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.

*Members of the Supervisory Board as at 31 December 2021 were:*

Jan Špringl (chairman)

Martin Gebauer (vice-chairman)

Petr Sekanina (member)

Jiří Feist (member)

Jan Stříteský (member)

Rosa Maria Villalobos Rodriguez (member)

#### ***Audit Committee***

The Audit Committee's authority and responsibilities are determined by the Czech Act No. 93/2009 Coll., on Auditors, as amended (the "**Czech Auditors Act**") and the Articles of Association as well as the Terms of Reference approved by the General Meeting. The Audit Committee mainly oversees the financial reporting and risk management of the Company and reviews internal financial controls (including internal audit) and the process of statutory audit of the Company. The Audit Committee makes recommendations in respect of selection of external auditor and its remuneration, as well as in respect of policy for awarding non-audit services to external auditor.

The Audit Committee has three members. Meetings of the Audit Committee are held not less than two times in each financial year. With the consent of all members, *per rollam* voting is also allowed. The Audit Committee informs the Board of Directors and Supervisory Board about its activities and, with respect to areas within its remit, submits recommendations to the Supervisory Board as it deems appropriate. The Audit Committee adopts a decision by a majority vote of all its members. The quorum for a meeting of the Audit Committee is a simple majority of all its members.

*Members of the Audit Committee as at 31 December 2021 were:*

Václav Moll (chairman)

Gary Wheatley Mazzotti (member)

Jakub Steinfeld (member)

### ***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 and submits regular reports 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 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.

*Members of the Risk Committee as at 31 December 2021 were:*

Michal Buřil (chairman)

Gary Wheatley Mazzotti (member)

Pavel Horský (member)

Tomáš Miřacký (member)

Václav Paleček (member)

František Čupr (member)

Szilard Kasa (member)

### ***HSE Committee***

The Health & Safety Committee is responsible for developing and oversight of health and safety policies and procedures improving work health and safety environment within the Group operations and monitoring compliance with Group's health and safety policies. The Health & Safety Committee has six members. The Health & Safety Committee submits regular reports to the Board of Directors.

*Members of the HSE Committee as at 31 December 2021 were:*

František Čupr (chairman)

František Kajánek

Marek Bobák

Tereza Vlachová

William Price

Mark Matheison

### **3) Information on environmental protection and decarbonization activities**

In 2021, the EPIF Group continued to be very active in the area of environmental protection and decarbonization of its operations. 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 and Germany. 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 sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and solid dust particles emissions (SDP).

EPIF will continue to maintain its compliance with the environmental legislative requirements. In 2021, the Group continued to invest considerable amounts into the refurbishment of several plants.

### ***Heat Infrastructure decarbonization***

Elektrárny Opatovice, a.s. aims to reduce the production of CO<sub>2</sub> from fossil fuels as much as possible while maintaining the heat supply to the local central heating system in combination with electricity generation and provision of grid-balancing services. Current lignite units are expected to be replaced with less emission-intensive sources such as natural gas or municipal waste. The modernization of the source should take place by the end of 2030, which is in line with the EPIF coal exit commitment. The technologies considered are a gas cycle (gas turbine with a waste heat boiler) and gas boilers (steam or hot water). In addition to natural gas combustion, the selected technologies will also be prepared for the future combustion of emission-neutral synthetic gases or hydrogen. Decarbonisation is planned to be partially financed with the support of the Modernization Fund.

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

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

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

### ***Gas infrastructure - energy transition plans***

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

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

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

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

### ***Environmental protection across EPIF Group***

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

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

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

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

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

The companies of the 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.

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.

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<sub>2</sub> emission intensity than a separate production of electric energy and heat. As a result, EPIF saves energy, avoids network losses and improves the security of Europe's internal energy supply.

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

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

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

#### **4) Environmental, Social and Governance matters**

Throughout 2021, 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. Owing to these efforts, EPIF achieved ESG rating of 20.0 from Sustainalytics in June 2021, placing EPIF in the low-risk category, 6th out of 62 companies in the multi-utilities sector. On 8 September 2021, EPIF obtained a score of 66/100 in its second ESG Evaluation from S&P Global Ratings, representing an improvement compared to the inaugural rating of 65/100 received in April 2020.

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 change. 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. In May 2021, EPIF reinforced its ongoing decarbonization efforts with formal targets and set a net-zero carbon goal for 2040, going beyond the official 2050 EU carbon-neutrality objective. This long-term goal is further supported by a clear decarbonization roadmap, transitioning the Group generation assets away from lignite to a balanced mix of CCGT units (enabling partial combustion of renewable gases), biomass units and waste-to-energy plants by 2030. The Group plans to reduce emissions from existing heating plants by 60% by 2030. Our decarbonization and energy transition plans and ongoing efforts are described above in the section *Information on environmental protection activities*.

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 and 2021, there have been no serious interruptions in supplies despite challenges posed by the COVID-19 pandemic.

### ***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.

### ***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.

### ***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 2021, there were no reported breaches of the Code of Conduct.

## Sustainability report

In May 2021, EPIF issued its third Sustainability report covering year 2020. Sustainability report for year 2021 is planned to be issued during Q2 2022. 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.

### 5) EU Taxonomy regulation

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

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

#### Application by EPIF in 2021

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

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

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

- 4.14. *Transmission and distribution networks for renewable and low-carbon gases*, which is primarily associated with NACE codes D35.22 (Distribution of gaseous fuels through mains) or H49.50 (Transport via pipeline). The full turnover, Opex and Capex reported from these activities was classified as Taxonomy-eligible
- 4.12. *Storage of hydrogen*, which is not directly associated with any NACE code. Operation of facilities currently used to store natural gas is considered as an enabling activity in accordance with Article 10 of Taxonomy Regulation. The turnover, Opex and Capex associated with operation of underground storage was fully classified as Taxonomy-eligible, while activities related to the exploration, production of hydrocarbons and drilling and workovers were classified as non-eligible.

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

- 4.9. *Transmission and distribution of electricity*, specifically operation of the electricity distribution network in central Slovakia, associated with NACE code D35.13 (Distribution of electricity). The full turnover, Opex and Capex reported from this activity was classified as Taxonomy-eligible
- 4.15. *District heating/cooling distribution*, specifically operation of district heating networks in major regional cities in the Czech Republic, associated with NACE code D35.30 (Steam and air conditioning supply). As the entities operating heating networks sometimes also own the adjacent heating plants, the financials of these entities were split into the generation business and distribution business mainly on the basis of internal cost centers.
- 4.20. *Cogeneration of heat/cool and power from bioenergy*, as EPIF partly combusts biomass in certain heating plants. Biomass is combusted in dedicated biomass boilers as well as co-combusted with lignite. Where the portion of turnover, Opex and Capex allocated to biomass could not be directly determined, a split based on percentage share in the fuel mix was used.

Other Taxonomy-eligible activities do not represent a material contribution to EPIF Group financials. These are mainly represented by generation from renewable sources (solar, wind, hydro), rail logistics and ownership of real estate.

Non-eligible activities are mainly represented by:

- Generation of heat and power from lignite and municipal waste.
- Supply of power and gas – this activity is not addressed by the Taxonomy Regulation. As the supply business reports relatively high turnover from resale of power and gas, the percentage share of the Taxonomy-eligible activities for the entire Group is distorted by this segment which is relatively minor in terms of profit contribution. In the results presented below, we have illustratively quantified the turnover which is associated with the power and gas supply and trading business.

### **Results of Taxonomy assessment**

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

	Turnover		Opex		Capex	
	MEUR	%	MEUR	%	MEUR	%
Eligible activities	1,716	61%	472	30%	133	88%
Non-eligible activities	1,076	39%	1,126	70%	18	12%
thereof Power and Gas supply and trading business	864	31%	848	53%		
<b>Total</b>	<b>2,792</b>		<b>1,598</b>		<b>151</b>	

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

### **Turnover**

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

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

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

***Operating expenses (Opex)***

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

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

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

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

***Capital expenditure (Capex)***

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

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

Denominator: *Acquisition of property, plant and equipment, investment property and intangible assets* as presented in the EPIF Group Consolidated statement of cash flow.

**6) Other Information**

***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 2021, 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 2021, 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.

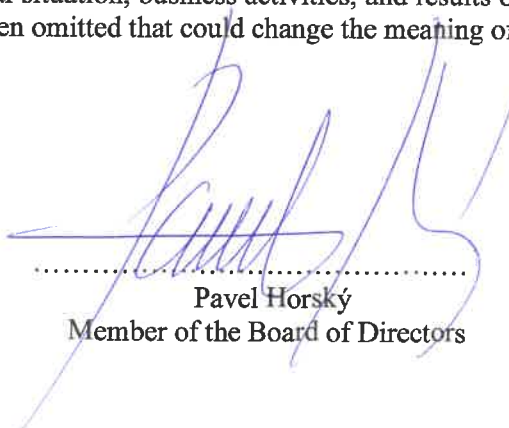
### **7) Statutory Declaration by Person Responsible for the EPIF Group 2021 Annual Report**

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 2021 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 25 March 2022



.....  
Daniel Křetínský  
Chairman of the Board of Directors



.....  
Pavel Horský  
Member of the Board of Directors

**IV.     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 of Act No. 90/2012 Coll., on Business Corporations, as amended

(“the Report”)

---

## I. Preamble

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

The Report has been submitted for review to the Company’s Supervisory Board in accordance with Section 83 (1) of BCA and the Supervisory Board’s position will be communicated to the Company’s General Meeting deciding on the approval of the Company’s financial statements and on the distribution of the Company’s profit or the settlement of its loss.

The Report has been prepared for the 2021 accounting period.

## II. Structure of relations between the entities

### CONTROLLED ENTITY

The controlled entity is EP 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  
Corporate ID: 057 11 452

### INDIRECTLY CONTROLLING ENTITIES:

Energetický a průmyslový holding, a.s.

Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1,  
Czech Republic  
Corporate ID: 283 56 250

EP Corporate Group, a.s.

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

EP Investment S.a r.l.

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

## **OTHER CONTROLLED ENTITIES**

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

### **III.**

#### **Role of the controlled entity; method and means of control**

##### **Role of the controlled entity**

- strategic management of the development of a group of directly or indirectly controlled entities
- providing financing and developing financing systems for group entities
- optimising the services utilised/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 made in 2021 pursuant to Section 82 (2) (d) of Act No. 90/2012 Coll., the Business Corporations Act**

In 2021, no actions were taken at the initiative or in the interest of the controlling entity in respect of assets exceeding 10% of the controlled entity's equity as determined from the most recent financial statements, other than the payment of a profit share.

The Company paid a profit share exceeding 10% of its equity to EPIF Investments a.s. in the amount of CZK 1,754,670 thousand.

## **V.**

### **Overview of agreements concluded by EP Infrastructure, a.s. pursuant to Section 82 (2) (d) of Act No. 90/2012 Coll., the Business Corporations Act**

#### **In 2021, the following loan agreements concluded by companies in the EP Infrastructure, a.s. Group were effective:**

On 16 March 2016, a loan agreement, including effective 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 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, including effective amendments, was signed between EP Energy, a.s. as the creditor and EP Infrastructure, a.s. as the debtor.

On 27 May 2021, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

On 27 September 2021, a loan agreement, including effective amendments, was signed between EP Infrastructure, a.s. as the creditor and EP Energy, a.s. as the debtor.

#### **In 2021, the following operating contracts concluded by companies in the EP Infrastructure, a.s. Group were effective:**

Professional Services Agreement signed between AISE, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

Professional Services Agreement signed between Alternative Energy, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

Professional Services Agreement signed between ARISUN, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

Professional Services Agreement, including effective amendments, signed between Elektrárny Opatovice, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Data Processing Agreement signed between Elektrárny Opatovice, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Professional Services Agreement signed between EP Cargo a.s. and EP Infrastructure, a.s. on 26 October 2018.

Data Processing Agreement signed between EP Cargo a.s. and EP Infrastructure, a.s. on 26 October 2018.

Professional Services Agreement signed between EP ENERGY TRADING, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Data Processing Agreement signed between EP ENERGY TRADING, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Professional Services Agreement signed between EP Sourcing, a.s. and EP Infrastructure, a.s. on 26 October 2018.

Data Processing Agreement signed between EP Sourcing, a.s. and EP Infrastructure, a.s. on 26 October 2018.

Professional Services Agreement signed between Plzeňská teplárenská a.s. (as the legal successor of Plzeňská energetika, a.s.) and EP Infrastructure, a.s. on 1 October 2018.

Data Processing Agreement signed between Plzeňská teplárenská a.s. (as the legal successor of Plzeňská energetika, a.s.) and EP Infrastructure, a.s. on 1 October 2018.

Professional Services Agreement signed between POZAGAS a.s. and EP Infrastructure, a.s. on 2 January 2019.

Data Processing Agreement signed between POZAGAS a.s. and EP Infrastructure, a.s. on 2 January 2019.

Professional Services Agreement signed between POWERSUN a.s. and EP Infrastructure, a.s. on 2 January 2018.

Professional Services Agreement, including effective amendments, signed between Severočeská teplárenská, a.s., and EP Infrastructure, a.s. on 1 October 2018.

Data Processing Agreement signed between Severočeská teplárenská, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Confidentiality Agreement signed between Stredoslovenská energetika Holding, a.s. and EP Infrastructure, a.s. on 2 November 2021.

Professional Services Agreement signed between SPP Storage, s.r.o. and EP Infrastructure, a.s. on 2 January 2019.

Data Processing Agreement signed between SPP Storage, s.r.o. and EP Infrastructure, a.s. on 2 January 2019.

Professional Services Agreement signed between Triskata, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

Professional Services Agreement, including effective amendments, signed between United Energy, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Data Processing Agreement signed between United Energy, a.s. and EP Infrastructure, a.s. on 1 October 2018.

Professional Services Agreement signed between VTE Moldava II, a.s. and EP Infrastructure, a.s. on 2 January 2018.

Professional Services Agreement signed between VTE Pchery, s.r.o. and EP Infrastructure, a.s. on 2 January 2018.

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

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

Netting Agreement signed between EP Energy, a.s. and EP Infrastructure, a.s. on 28 July 2021.

**In 2021, the following operating contracts concluded by companies in the Energetický a průmyslový holding, a.s. Group were effective:**

Professional Services Agreement signed between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 2 January 2015, including all amendments.

Sublease Agreement signed between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 15 June 2017, including all amendments.

Professional Services Agreement signed between EP Slovakia B.V. and EP Infrastructure, a.s. on 3 April 2017.

**In 2021, the following operating contracts were effective:**

Professional Services Agreement signed between Energetický a průmyslový holding, a.s. as the provider and EP Infrastructure, a.s. as the client on 2 January 2017.

Professional Services Agreement signed between Energetický a průmyslový holding, a.s. as the client and EP Infrastructure, a.s. as the provider on 2 January 2018.

Professional Services Agreement signed between EP Power Europe, a.s. as the provider and EP Infrastructure, a.s. as the client on 2 January 2018.

Professional Services Agreement signed between EP Power Europe, a.s. as the client and EP Infrastructure, a.s. as the provider on 2 January 2018.

## VI.

We hereby confirm that this Report on relations between related entities of EP Infrastructure, a.s., prepared pursuant to the provisions of Section 82 of Act No. 90/2012 Coll., the Business Corporations Act, for the accounting period from 1 January 2021 to 31 December 2021, includes all information known as at the date of signing this report, regarding:

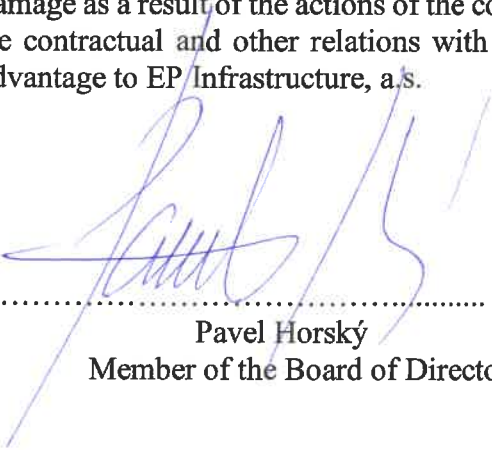
- agreements between related entities
- performance and counter-performance provided to related entities
- other juridical acts carried out in the interest of related entities and
- all measures taken or implemented in the interest or at the initiative of related entities

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

In Prague, on 25 March 2022

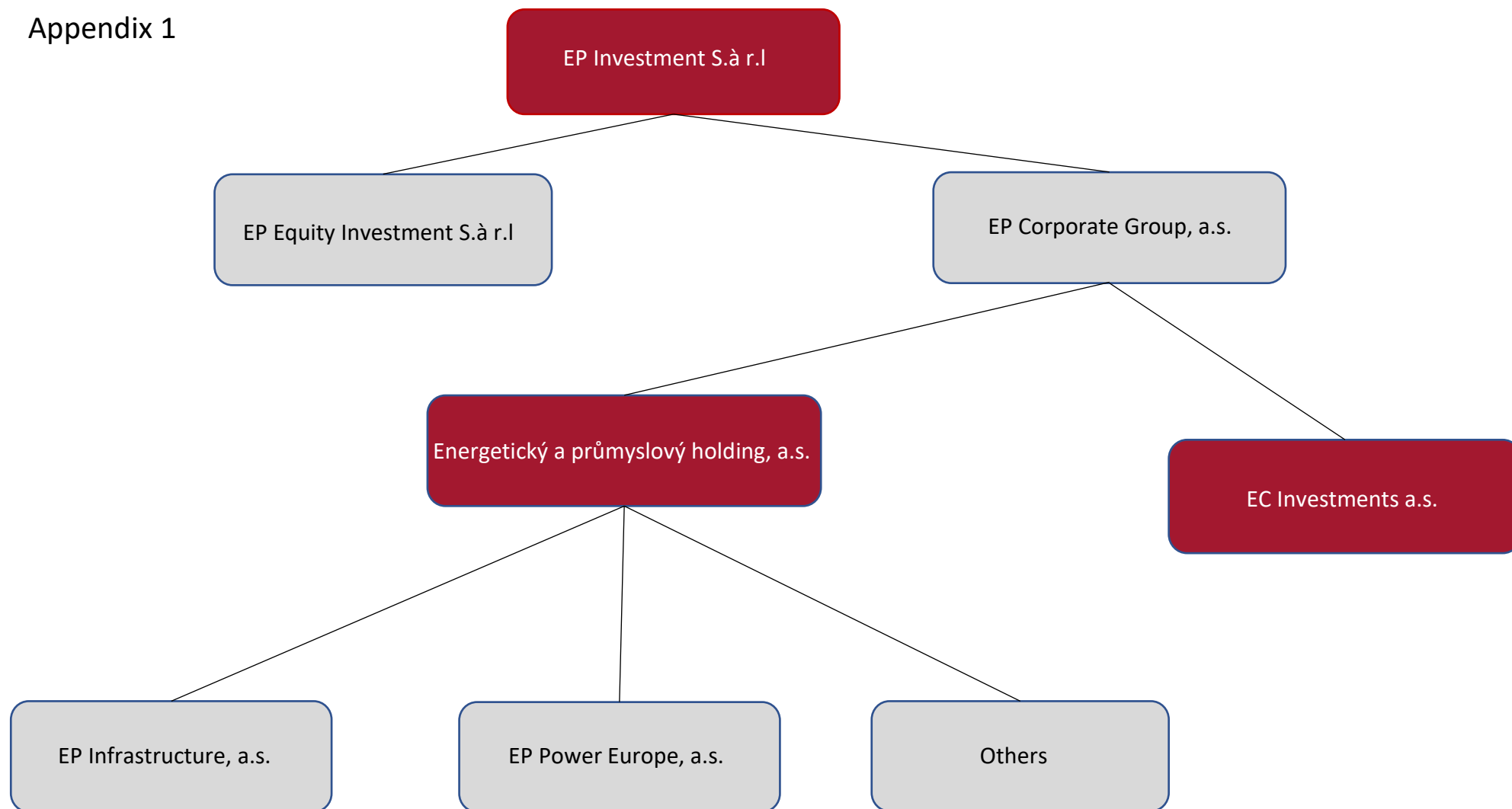


.....  
Daniel Křetínský  
Chairman of the Board of Directors



.....  
Pavel Horský  
Member of the Board of Directors

## Appendix 1



**V. Consolidated Financial Statements and Notes to the Consolidated Financial Statements**

# **EP Infrastructure, a.s.**

## **Consolidated Financial Statements**

**as of and for the year ended 31 December 2021**

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

## Content

Consolidated statement of comprehensive income.....	3
Consolidated statement of financial position .....	4
Consolidated statement of changes in equity .....	5
Consolidated statement of cash flows.....	7
Notes to the consolidated financial statement.....	9
1. Background.....	9
2. Basis of preparation .....	10
3. Significant Accounting Policies.....	15
4. Determination of fair values .....	34
5. Operating segments.....	36
6. Acquisitions and disposals of subsidiaries, joint-ventures and associates .....	46
7. Sales.....	51
8. Cost of sales.....	52
9. Personnel expenses .....	52
10. Emission rights .....	52
11. Taxes and charges.....	53
12. Other operating income .....	53
13. Other operating expenses.....	54
14. Finance income and expense, profit (loss) from financial instruments .....	55
15. Income tax expenses .....	55
16. Property, plant and equipment .....	58
17. Intangible assets (including goodwill) .....	60
18. Deferred tax assets and liabilities.....	63
19. Inventories .....	66
20. Trade receivables and other assets .....	67
21. Cash and cash equivalents .....	67
22. Equity.....	67
23. Earnings per share.....	69
24. Non-controlling interest.....	70
25. Loans and borrowings.....	73
26. Provisions .....	83
27. Deferred income .....	86
28. Financial instruments.....	87
29. Trade payables and other liabilities .....	90
30. Commitments and contingencies .....	92
31. Leases .....	92
32. Risk management policies and disclosures .....	94
33. Related parties .....	113
34. Group entities.....	115
35. Litigations and claims .....	118
36. Subsequent events.....	119
Appendix 1 – Business combinations .....	121

## Consolidated statement of comprehensive income

For the year ended 31 December 2021

In millions of EUR ("MEUR")

	Note	2021	2020
<b>Revenues</b>	7	<b>2,792</b>	<b>3,195</b>
<b>Purchases and consumables</b>	8	<b>(1,100)</b>	<b>(1,217)</b>
<b>Subtotal</b>		<b>1,692</b>	<b>1,978</b>
Personnel expenses	9	(223)	(239)
Depreciation and amortization	16, 17	(430)	(460)
Repairs and maintenance		(23)	(18)
Emission rights, net	10	(129)	(72)
Taxes and charges	11	(5)	(9)
Other operating income	12	64	59
Other operating expenses	13	(123)	(112)
Own work, capitalized		26	35
<b>Profit (loss) from operations</b>		<b>849</b>	<b>1,162</b>
Finance income	14	39	5
Finance expense	14	(99)	(154)
Gain (loss) from financial instruments	14	18	(39)
<b>Net finance income (expense)</b>		<b>(42)</b>	<b>(188)</b>
Share of profit (loss) of equity accounted investees, net of tax		1	1
Gain (loss) on disposal of subsidiaries	6	(1)	784
<b>Profit before income tax</b>		<b>807</b>	<b>1,759</b>
Income tax expenses	15	(205)	(265)
<b>Profit for the period</b>		<b>602</b>	<b>1,494</b>
<b>Items that are not reclassified subsequently to profit or loss</b>			
Revaluation of property, plant and equipment, net of tax	3(a)	-	1,315
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations	15	(207)	70
Foreign currency translation differences from presentation currency	15	205	(52)
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	(408)	(22)
<b>Other comprehensive income (loss) for the period, net of tax</b>		<b>(410)</b>	<b>1,311</b>
<b>Total comprehensive income for the period</b>		<b>192</b>	<b>2,805</b>
<b>Profit attributable to:</b>			
Owners of the Company		313	1,111
Non-controlling interest	24	289	383
<b>Profit for the period</b>		<b>602</b>	<b>1,494</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		80	1,787
Non-controlling interest		112	1,018
<b>Total comprehensive income for the period</b>		<b>192</b>	<b>2,805</b>
<b>Total basic and diluted earnings per share in EUR</b>	23	0.97	3.44

The notes presented on pages 9 to 121 form an integral part of these condensed consolidated interim financial statements.

## Consolidated statement of financial position

As at 31 December 2021

In millions of EUR ("MEUR")

	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Property, plant and equipment	16	9,809	10,047
Intangible assets	17	188	103
Goodwill	17	105	99
Equity accounted investees		1	3
Restricted cash		-	2
Financial instruments and other financial assets	28	41	38
Trade receivables and other assets	20	44	31
Prepayments and other deferrals		-	3
Deferred tax assets	18	20	17
<b>Total non-current assets</b>		<b>10,208</b>	<b>10,343</b>
Inventories	19	190	184
Trade receivables and other assets	20	424	330
Contract assets	7	36	54
Financial instruments and other financial assets	28	240	38
Prepayments and other deferrals		12	10
Current income tax receivable		7	2
Cash and cash equivalents	21	501	709
Restricted cash		2	1
<b>Total current assets</b>		<b>1,412</b>	<b>1,328</b>
<b>Total assets</b>		<b>11,620</b>	<b>11,671</b>
<b>Equity</b>			
Share capital	22	2,988	2,988
Share premium		8	8
Reserves	22	(2,853)	(2,571)
Retained earnings		899	644
<b>Total equity attributable to equity holders</b>		<b>1,042</b>	<b>1,069</b>
Non-controlling interest	24	2,784	3,012
<b>Total equity</b>		<b>3,826</b>	<b>4,081</b>
<b>Liabilities</b>			
Loans and borrowings	25	4,079	3,926
Financial instruments and financial liabilities	28	182	134
Provisions	26	264	247
Deferred income	27	94	85
Contract liabilities	7	77	115
Deferred tax liabilities	18	1,685	1,831
Trade payables and other liabilities	29	3	4
<b>Total non-current liabilities</b>		<b>6,384</b>	<b>6,342</b>
Trade payables and other liabilities	29	382	320
Contract liabilities	7	79	70
Loans and borrowings	25	62	616
Financial instruments and financial liabilities	28	674	97
Provisions	26	161	73
Deferred income	27	17	24
Current income tax liability	15	35	48
<b>Total current liabilities</b>		<b>1,410</b>	<b>1,248</b>
<b>Total liabilities</b>		<b>7,794</b>	<b>7,590</b>
<b>Total equity and liabilities</b>		<b>11,620</b>	<b>11,671</b>

The notes presented on pages 9 to 121 form an integral part of these consolidated financial statements

## Consolidated statement of changes in equity

For the year ended 31 December 2021

In millions of EUR ("MEUR")

	Note	Share capital	Share premium	Attributable to owners of the Company					Retained earnings	Total	Non-controlling interest	Total Equity
				Non-distributable reserves	Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve				
<b>Balance as at 1 January 2021 (A)</b>		<b>2,988</b>	<b>8</b>	<b>1</b>	<b>(33)</b>	<b>1,377</b>	<b>(3,814)</b>	<b>(102)</b>	<b>644</b>	<b>1,069</b>	<b>3,012</b>	<b>4,081</b>
<i>Total comprehensive income for the year:</i>												
Profit or loss (B)		-	-	-	-	-	-	-	313	313	289	602
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	15	-	-	-	(72)	-	-	-	-	(72)	(135)	(207)
Foreign currency translation differences from presentation currency	15	-	-	-	58	-	-	-	-	58	147	205
Fair value reserve included in other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	-	-	-	-	-	-	(219)	-	(219)	(189)	(408)
<b>Total other comprehensive income (C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>(219)</b>	<b>-</b>	<b>(233)</b>	<b>(177)</b>	<b>(410)</b>
<b>Total comprehensive income for the period (D) = (B + C)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>(219)</b>	<b>313</b>	<b>80</b>	<b>112</b>	<b>192</b>
<i>Contributions by and distributions to owners:</i>												
Dividends to equity holders	22	-	-	-	-	-	-	-	(100)	(100)	(340)	(440)
Transfer to retained earnings		-	-	-	-	(42)	-	-	42	-	-	-
<b>Total contributions by and distributions to owners (E)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42)</b>	<b>-</b>	<b>-</b>	<b>(58)</b>	<b>(100)</b>	<b>(340)</b>	<b>(440)</b>
<i>Changes in ownership interests in subsidiaries that do not result in loss of control:</i>												
Effect of disposed entities	6	-	-	-	(7)	-	-	-	-	(7)	-	(7)
Effect of acquisitions through business combinations		-	-	-	-	-	-	-	-	-	-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>Total transactions with owners (G) = (E + F)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>(42)</b>	<b>-</b>	<b>-</b>	<b>(58)</b>	<b>(107)</b>	<b>(340)</b>	<b>(447)</b>
<b>Balance at 31 December 2020 (H) = (A + D + G)</b>		<b>2,988</b>	<b>8</b>	<b>1</b>	<b>(54)</b>	<b>1,335</b>	<b>(3,814)</b>	<b>(321)</b>	<b>899</b>	<b>1,042</b>	<b>2,784</b>	<b>3,826</b>

The notes presented on pages 9 to 121 form an integral part of these condensed consolidated interim financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2020

In millions of EUR ("MEUR")

In millions of EUR ("MEUR")	Note	Share capital	Share premium	Attributable to owners of the Company					Retained earnings	Total	Non-controlling interest	Total Equity
				Non-distributable reserves	Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve				
Balance as 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 period (D) = (B + C)		-	-	-	25	643	-	8	1,111	1,787	1,018	2,805
Contributions by and distributions to owners:												
Dividends to equity holders	22	-	-	-	-	-	-	-	(1,128)	(1,128)	(374)	(1,502)
Transfer to retained earnings		-	-	-	-	(40)	-	-	40	-	-	-
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 disposed entities	6	-	-	-	29	-	-	(10)	(19)	-	(4)	(4)
Effect of acquisitions through business combinations	6	-	-	-	-	-	-	-	-	-	1	1
Effect of changes in ownership of non-controlling interest	6	-	-	-	-	-	-	-	(1)	(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 9 to 121 form an integral part of these condensed consolidated interim financial statements.

## Consolidated statement of cash flow

For the year ended 31 December 2021

In millions of EUR ("MEUR")

	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the period		602	1,494
Adjustments for:			
Income taxes	15	205	265
Depreciation and amortization	16, 17	430	460
Dividend income	14	(2)	(3)
Impairment losses on property, plant and equipment and intangible assets	13	(2)	(2)
Impairment losses on financial assets		3	-
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net		59	(2)
Loss on disposal of property, plant and equipment, investment property and intangible assets	13	5	2
Emission rights	10	129	72
Share of profit of equity accounted investees		(1)	(1)
Gain on disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interests		1	(784)
(Profit) loss from financial instruments	14	(18)	39
Interest expense, net	14	91	111
Change in allowance for impairment to trade receivables and other assets, write-offs	13	14	(1)
Change in provisions		5	(3)
Other finance fees, net	14	5	14
Other non-cash transactions		-	9
Unrealized foreign exchange (gains) losses, net		(44)	17
<b>Operating profit before changes in working capital</b>		<b>1,482</b>	<b>1,687</b>
Change in trade receivables and other assets		(144)	(2)
Change in inventories		(6)	8
Change in trade payables and other liabilities		5	126
Change in restricted cash		1	(3)
<b>Cash generated from (used in) operations</b>		<b>1,338</b>	<b>1,816</b>
Interest paid		(120)	(131)
Income taxes paid		(266)	(382)
<b>Cash flows generated from (used in) operating activities</b>		<b>952</b>	<b>1,303</b>
<b>INVESTING ACTIVITIES</b>			
Received dividends		2	3
Loans provided to the other entities		-	(30)
Proceeds (outflows) from sale (settlement) of financial instruments		(58)	15
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17	(151)	(209)
Purchase of emission rights	17	(112)	(53)
Proceeds from sale of emission rights		-	2
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		7	-
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	(18)	1
Net cash inflow from disposal of subsidiaries and special purpose entities	6	25	965
Other investing activities	6	-	(1)
Interest received		1	1
<b>Cash flows from (used in) investing activities</b>		<b>(304)</b>	<b>694</b>

## Consolidated statement of cash flow (continuing)

**For the year ended 31 December 2021**

*In millions of EUR ("MEUR")*

	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings received	25	105	807
Repayment of borrowings	25	(942)	(996)
Proceeds from bonds issued	25	1,000	500
Repayment of bonds issued	25	(570)	(750)
Finance fees paid from repayment of borrowings and bond issue		(5)	(4)
Payment of lease liability	31	(14)	(14)
Loans provided to non-controlling shareholders as a prepayment for a dividend		(219)	(270)
Dividends paid	22	(219)	(1,234)
<b>Cash flows from (used in) financing activities</b>		<b>(864)</b>	<b>(1,961)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>(216)</i>	<i>36</i>
<b>Cash and cash equivalents at beginning of the period</b>		<b>709</b>	<b>674</b>
Effect of exchange rate fluctuations on cash held		8	(1)
<b>Cash and cash equivalents at end of the period</b>		<b>501</b>	<b>709</b>

The notes presented on pages 9 to 121 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1. Background

EP 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 2021 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates and joint-ventures (together referred to as the “Group” or the “EPIF Group”). The Group entities are listed in Note 34 – Group entities.

The shareholders of the Company as at 31 December 2021 and 31 December 2020 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
<b>Total</b>	<b>2,988</b>	<b>100.00</b>	<b>100.00</b>

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

- Daniel Křetínský (Chairman of the Board of Directors)
- Stéphane Louis Brimont (Vice-chairman of the Board of Directors)
- Gary Wheatley Mazzotti (Vice-chairman of the Board of Directors)
- William David George Price (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 25 March 2022.

### **(b) Basis of measurement**

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

- Gas transmission pipelines 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**

In 2021, 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 operational and 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. EPIF Group presents its financial statement in the presentation currency (in line with IAS 21, paragraph 38) since it believes that the majority of stakeholders, namely holders of bond instruments, prefers Euro currency.

### **(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 2021 that have been applied in preparing the Group's financial statements***

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

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

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

The amendment permits to apply the practical expedient regarding covid-19-related rent concessions also for payments due in period 30 June 2021 to 30 June 2022.

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

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

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

***ii. Standards not yet effective***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3. Significant Accounting Policies

The 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

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

#### (b) Basis of consolidation

##### *i. Subsidiaries*

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

##### *ii. Equity accounted investees*

Associates are enterprises in which the Group has significant influence, but not control, over financial and operating policies. Investments in associates are accounted for under the equity method and are initially recognised at cost (goodwill relating to an associate or a joint venture is included in the carrying amount of the investment). The consolidated financial statements include the Group’s share of the total profit or loss and other comprehensive income of associates from the date that the significant influence commences until the date that the significant influence ceases. When the Group’s share of losses 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 disposals of subsidiaries, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

***viii. Disposal of subsidiaries and equity accounted investees***

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

If the assets and liabilities are sold by selling the interest in a subsidiary or an associate the profit or loss on sale is recognised in total under Gain (loss) on disposal of subsidiaries, 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. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

***iv. 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 if 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 extent it reverses a revaluation decrease of the same asset previously recognized in profit or loss. The decrease in revalued amount primarily decreases amount accumulated as revaluation surplus in equity, eventual remaining part of decrease in revalued amount is recognized in profit or loss. Accumulated depreciation is eliminated against gross carrying amount of the asset.

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

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

### **iii. Free-of-charge received property**

Several items of gas and electricity equipment (typically connection terminals) were obtained “free of charge” from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the 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 transmission and distribution pipelines	30 – 70 years
• Machinery, electric generators, gas producers, turbines and drums	20 – 30 years
• Heat and electricity distribution networks	10 – 30 years
• Machinery and equipment	4 – 20 years
• Fixtures, fittings and other	3 – 20 years

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

## **(k) Intangible assets**

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

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

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

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

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

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

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

## ***ii. Research and development***

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

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

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

## ***iii. Emission rights***

### *Recognition and measurement*

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

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<sub>2</sub> emitted.

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

Otherwise, if a shortfall of emission 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<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

#### *iv. Restructuring*

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

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

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

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

A change in the estimate of a provision for the decommissioning and restoration of property, plant and equipment is generally recognised against a corresponding adjustment to the related assets, with no effect

on profit or loss. If the related items of property, plant and equipment have already been fully depreciated, changes in the estimate are recognised in profit or loss.

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

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

Provisions are recognised for the following restoration activities:

- dismantling and removing structures;
- 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 assets. Over time, the discounted liability is increased to reflect the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

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

#### *vi. Onerous contracts*

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

### **(m) Leases**

#### *Definition of a lease*

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

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

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

#### *Lessor accounting*

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

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

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

#### ***Lease of land or lease of land and building***

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

#### ***Lessee accounting***

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

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

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

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

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

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

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

#### ***Service part of a lease payment***

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

#### ***Lease term***

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

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

#### ***Subleasing***

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

#### ***Renewal options***

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

### **(n) Revenue**

#### ***i. Revenues from contracts with customers***

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

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

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

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

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

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

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

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

**(e) Non-derivative financial liabilities**

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

**(f) Derivatives**

The fair value of forward electricity 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 mainly based on nature of the services provided. A description of each segment is provided in the following paragraphs. 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 ("Underlying EBITDA") and capital expenditures.

### *i. Gas transmission*

The Group's Gas Transmission Business is operated through Eustream, which is the owner and operator of one of the major European gas pipelines and is the only gas transmission system operator in the Slovak Republic. The transmission network of Eustream is part of the Central Corridor which is one of the largest and the most important piped gas import route into Europe based on volume of gas transmitted by Eustream.

Eustream generates revenue primarily by charging tariffs for the transmission of gas through its pipelines. Shippers are obliged to pay the capacity fees for the booked capacity irrespective of whether such capacity is utilised by the shipper as all contracts, regardless of duration, are based on a 100 per cent. ship-or-pay principle. In addition, a portion of revenue is generated via sale of gas in-kind, which Eustream receives from shippers and which remains in the network of Eustream after serving the network's technological needs.

The transmission fees are fixed from the start for each contract and are therefore not subject to unilateral renegotiation, termination or other adjustments other than for inflation. In addition to the transmission fees, network users are required to provide gas in-kind for operational needs, predominantly as a fixed percentage of commercial gas transmission volume at each entry and exit point. The network users may agree with Eustream to provide gas in-kind in a financial form. Gas for operational needs covers, among other things, the energy needs for the operation of compressors and the gas balance differences related to the measurement of gas flows. As Eustream is legally responsible for network balance, it will sell any gas in-kind it has received that is not consumed. Since the volume of gas in-kind is variable, any revenue from this mandatory sale of residual gas in-kind is also variable.

Majority of the gas transmitted through the network of Eustream stems from a long-term contract with a prominent Russian shipper of gas, while the residual volumes are mostly based on short-term contracts concluded with European utilities, gas suppliers and gas traders. These contracts entitle shippers to transmit the natural gas through the Eustream's network to the Czech Republic, Austria, Ukraine and Hungary. The Group assessed the contractual conditions in the ship-or-pay arrangements and concluded that there is no derivative included as these contracts do not provide the Group with any flexibility and the capacity booked has to be always provided to the customer. Revenue is recognised based on the booked capacity stipulated in the contract (fixed element) and actual transmitted volume which affects the amount of gas in-kind received from the shippers (variable element).

Since 2005 charges are fully regulated by Energy Regulatory Authority ("RONI"). The regulatory framework provides a stable and sustainable environment for the transmission business. Transmission tariffs in the Slovak Republic for the regulatory period valid until the end of 2021 were set directly by RONI were based purely on direct comparison of tariffs (also known as benchmarking) with other TSOs, primarily competitors across Europe, and were not directly impacted by natural gas prices or other elements (except for EU inflation rate). From the next regulatory period valid since the beginning of 2022, benchmarking of tariffs will remain to be used only as the secondary adjustment of the reference prices calculated primarily on the cost base principles. Gas transmission prices in existing contracts are generally not affected by tariff changes as tariffs are generally fixed for the life of the applicable contract (subject only to adjustments to reflect inflation), but the gas transmission prices in new contracts are set under at then applicable regulation and thereafter are held constant.

Because of the contractual nature of the long-term contract with the prominent Russian shipper of gas, management carefully assessed the contractual conditions with the respect to whether the contract includes any

significant lease arrangement as per IFRS 16. As there is no indication that the Russian shipper is in control of the asset and there are several other shippers using the asset, management concluded that no material indications of such leasing relationship were noted and that the transmission pipeline should be recognised in Eustream's balance sheet and related shipping arrangements accounted for in accordance with IFRS 15.

## ***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 the Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. This segment is mainly represented by Stredoslovenská energetika Holding, a.s. (further "SSE"), Stredoslovenská distribučná, a.s. (further "SSD"), SPP – distribúcia, a.s. (further "SPPD"), EP ENERGY TRADING, a.s. (further "EPET") and Dobrá Energie s.r.o.

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

Revenue from sales of electricity and gas are recognised when the electricity and gas is delivered to the customer. With respect to SSE, RONI regulates certain aspects of the SSE's relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Prices of electricity and gas for households and small business are regulated by RONI. The price of electricity for the wholesale customers is not regulated. With respect to supply activities in the Czech Republic, prices for end-consumers are not regulated.

EPET and the SSE also purchase and sell power, including sales in the wholesale market of electricity generated by the Group in its Heat Infra Business and purchases of electricity and natural gas to supply customers as part of the division's supply activities. The majority of the Group's trades are conducted on back-to-back basis.

## ***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. Additionally, NAFTA a.s. and POZAGAS a.s. sell a part of their storage capacity at the Austrian Virtual Trading Point and they bear all entry-exit fees in relation to the access to the Austrian market. The storage capacities are utilised for injection, withdrawal and storage of natural gas according to seasonal needs to ensure the standards of security of supply based on the valid legislation and to utilise short-term market volatility of gas prices. Charges for storage are agreed upon the period of contracts. Fee for storage depends primarily on the booked capacity per year and annual price indexes, furthermore products with higher deliverability and flexibility are priced with premium. The short-term storage capacity is mainly sold at prices derived from spreads between summer and winter prices.

## ***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 CHPs is supplied mainly to retail customers through well maintained and robust district heating systems that the Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin. The entities also represent important providers of grid balancing services for ČEPS, the Czech electricity transmission network operator. EP Sourcing, a.s. and EP Cargo a.s., as main suppliers of the above-mentioned entities, are also included in this segment.

**v. *Other***

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

**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.

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

## Profit or loss

### For the year ended 31 December 2021

In millions of EUR

	Gas trans- mission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
Revenues: Energy and related services	563	2,076	256	374	3,269	5	-	(473)	2,801
<i>external revenues</i>	334	2,060	224	178	2,796	5	-	-	2,801
<i>of which: Gas</i>	334	846	224	-	1,404	-	-	-	1,404
<i>Electricity</i>	-	1,214	-	36	1,250	5	-	-	1,255
<i>Heat</i>	-	-	-	142	142	-	-	-	142
<i>inter-segment revenues</i>	229	16	32	196	473	-	-	(473)	-
Revenues: Logistics and freight services	-	-	-	29	29	-	-	-	29
<i>external revenues</i>	-	-	-	29	29	-	-	-	29
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	-	-
Revenues: Other	-	8	-	8	16	5	-	-	21
<i>external revenues</i>	-	8	-	8	16	5	-	-	21
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity and freight derivatives, net	-	(59)	-	-	(59)	-	-	-	(59)
<b>Total revenues</b>	<b>563</b>	<b>2,025</b>	<b>256</b>	<b>411</b>	<b>3,255</b>	<b>10</b>	<b>-</b>	<b>(473)</b>	<b>2,792</b>
Purchases and consumables: Energy and related services	(36)	(1,366)	(30)	(126)	(1,558)	-	-	473	(1,085)
<i>external Purchases and consumables</i>	(30)	(910)	(28)	(117)	(1,085)	-	-	-	(1,085)
<i>inter-segment Purchases and consumables</i>	(6)	(456)	(2)	(9)	(473)	-	-	473	-
Purchases and consumables: Other	-	(1)	1	(12)	(12)	(2)	(1)	-	(15)
<i>external Purchases and consumables</i>	-	(1)	1	(12)	(12)	(2)	(1)	-	(15)
<i>inter-segment Purchases and consumables</i>	-	-	-	-	-	-	-	-	-
<b>Total Purchases and consumables</b>	<b>(36)</b>	<b>(1,367)</b>	<b>(29)</b>	<b>(138)</b>	<b>(1,570)</b>	<b>(2)</b>	<b>(1)</b>	<b>473</b>	<b>(1,100)</b>
Personnel expenses	(29)	(111)	(33)	(44)	(217)	(2)	(4)	-	(223)
Depreciation and amortisation	(116)	(226)	(31)	(54)	(427)	(3)	-	-	(430)
Repairs and maintenance	(1)	(4)	-	(18)	(23)	-	-	-	(23)
Emission rights, net	(2)	(1)	(1)	(125)	(129)	-	-	-	(129)
Taxes and charges	(1)	(1)	(2)	(1)	(5)	-	-	-	(5)
Other operating income	1	17	-	43	61	-	4	(1)	64
Other operating expenses	(19)	(58)	(10)	(26)	(113)	(2)	(9)	1	(123)
Own work, capitalized	3	21	-	2	26	-	-	-	26
<b>Profit (loss) from operations</b>	<b>363</b>	<b>295</b>	<b>150</b>	<b>50</b>	<b>858</b>	<b>1</b>	<b>(10)</b>	<b>-</b>	<b>849</b>

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

In millions of EUR

	Gas trans- mission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
Finance income	1	3	2	3	9	-	*657	*(627)	39
<i>external finance revenues</i>	1	1	1	2	5	-	34	-	39
<i>inter-segment finance revenues</i>	-	2	1	1	4	-	*623	*(627)	-
Finance expense	(31)	(12)	(5)	(3)	(51)	(1)	(68)	21	(99)
Profit (loss) from derivative financial instruments	14	(2)	(2)	2	12	(2)	8	-	18
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	-	-	-	-	-	-	(1)	-	(1)
<b>Profit (loss) before income tax</b>	<b>347</b>	<b>284</b>	<b>145</b>	<b>52</b>	<b>828</b>	<b>(1)</b>	<b>*586</b>	<b>*(606)</b>	<b>807</b>
Income tax expenses	(86)	(70)	(34)	(8)	(198)	-	(7)	-	(205)
<b>Profit (loss) for the year</b>	<b>261</b>	<b>214</b>	<b>111</b>	<b>44</b>	<b>630</b>	<b>(1)</b>	<b>*579</b>	<b>*(606)</b>	<b>602</b>

\* EUR 606 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:**

Underlying EBITDA <sup>(1)</sup>	479	521	181	104	1,285	4	(10)	-	1,279
----------------------------------	-----	-----	-----	-----	-------	---	------	---	-------

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

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

**For the year ended 31 December 2020**

*In millions of EUR*

	Gas trans- mission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
Revenues: Energy and related services	744	1,702	293	544	3,283	5	-	(147)	3,141
<i>external revenues</i>	721	1,696	261	458	3,136	5	-	-	3,141
<i>of which: Gas</i>	721	580	261	-	1,562	-	-	-	1,562
<i>Electricity</i>	-	1,116	-	133	1,248	5	-	-	1,254
<i>Heat</i>	-	-	-	325	325	-	-	-	325
<i>inter-segment revenues</i>	23	6	32	86	147	-	-	(147)	-
Revenues: Logistics and freight services	-	-	-	18	18	-	-	-	18
<i>external revenues</i>	-	-	-	18	18	-	-	-	18
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	-	-
Revenues: Other	-	7	-	16	23	6	-	(1)	28
<i>external revenues</i>	-	7	-	16	23	5	-	-	28
<i>inter-segment revenues</i>	-	-	-	-	-	1	-	(1)	-
Gain (loss) from commodity and freight derivatives, net	-	8	-	-	8	-	-	-	8
<b>Total revenues</b>	<b>744</b>	<b>1,717</b>	<b>293</b>	<b>578</b>	<b>3,332</b>	<b>11</b>	<b>-</b>	<b>(148)</b>	<b>3,195</b>
Purchases and consumables: Energy and related services	(24)	(995)	(33)	(286)	(1,338)	-	-	148	(1,190)
<i>external Purchases and consumables</i>	(22)	(861)	(25)	(282)	(1,190)	-	-	-	(1,190)
<i>inter-segment Purchases and consumables</i>	(2)	(134)	(8)	(4)	(148)	-	-	148	-
Purchases and consumables: Other	-	(1)	1	(24)	(24)	(3)	-	-	(27)
<i>external Purchases and consumables</i>	-	(1)	1	(24)	(24)	(3)	-	-	(27)
<i>inter-segment Purchases and consumables</i>	-	-	-	-	-	-	-	-	-
<b>Total Purchases and consumables</b>	<b>(24)</b>	<b>(996)</b>	<b>(32)</b>	<b>(310)</b>	<b>(1,362)</b>	<b>(3)</b>	<b>-</b>	<b>148</b>	<b>(1,217)</b>
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)
Negative goodwill	-	-	-	-	-	-	-	-	-
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

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

In millions of EUR

	Gas trans- mission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
Finance income	1	3	2	1	7	-	*924	*(926)	5
<i>external finance revenues</i>	1	2	1	-	4	-	1	-	5
<i>inter-segment finance revenues</i>	-	1	1	1	3	-	*923	*(926)	-
Finance expense	(40)	(17)	(6)	21	(43)	-	(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
<b>Profit (loss) before income tax</b>	<b>502</b>	<b>359</b>	<b>183</b>	<b>167</b>	<b>1,211</b>	<b>2</b>	<b>*1,429</b>	<b>*(883)</b>	<b>1,759</b>
Income tax expenses	(128)	(91)	(43)	(14)	(276)	-	11	-	(265)
<b>Profit (loss) for the year</b>	<b>374</b>	<b>268</b>	<b>140</b>	<b>153</b>	<b>935</b>	<b>2</b>	<b>*1,440</b>	<b>*(883)</b>	<b>1,494</b>

\* EUR 716 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:**

Underlying EBITDA <sup>(1)</sup>	678	591	218	140	1,627	4	(9)	-	1,622
----------------------------------	-----	-----	-----	-----	-------	---	-----	---	-------

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

## Underlying EBITDA reconciliation to the closest IFRS measure

The underlying EBITDA reconciles to the profit as follows:

### For the year ended 31 December 2021

*In millions of EUR*

	Gas trans- mission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
<b>Underlying EBITDA</b>	<b>479</b>	<b>521</b>	<b>181</b>	<b>104</b>	<b>1,285</b>	<b>4</b>	<b>(10)</b>	<b>-</b>	<b>1,279</b>
Depreciation and amortisations	(116)	(226)	(31)	(54)	(427)	(3)	-	-	(430)
Finance income	1	3	2	3	9	-	657	(627)	39
Finance expense	(31)	(12)	(5)	(3)	(51)	(1)	(68)	21	(99)
Profit/(loss) from derivative financial instruments	14	(2)	(2)	2	12	(2)	8	-	18
Share of profit of equity accounted investees	-	-	-	-	-	1	-	-	1
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	(1)	-	(1)
Income tax	(86)	(70)	(34)	(8)	(198)	-	(7)	-	(205)
<b>Profit for the year</b>	<b>261</b>	<b>214</b>	<b>111</b>	<b>44</b>	<b>630</b>	<b>(1)</b>	<b>579</b>	<b>(606)</b>	<b>602</b>

### For the year ended 31 December 2020

*In millions of EUR*

	Gas trans- mission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
<b>Underlying EBITDA</b>	<b>678</b>	<b>591</b>	<b>218</b>	<b>140</b>	<b>1,627</b>	<b>4</b>	<b>(9)</b>	<b>-</b>	<b>1,622</b>
Depreciation and amortisations	(130)	(220)	(31)	(76)	(457)	(3)	-	-	(460)
Finance income	1	3	2	1	7	-	924	(926)	5
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 of equity accounted investees	-	-	-	-	-	1	-	-	1
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	79	79	-	705	-	784
Income tax	(128)	(91)	(43)	(14)	(276)	-	11	-	(265)
<b>Profit for the year</b>	<b>374</b>	<b>268</b>	<b>140</b>	<b>153</b>	<b>935</b>	<b>2</b>	<b>1,440</b>	<b>(883)</b>	<b>1,494</b>

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

**Segment assets and liabilities**  
**For the year ended 31 December 2021**

*In millions of EUR*

	<b>Gas trans- mission</b>	<b>Gas and power distribution</b>	<b>Gas storage</b>	<b>Heat Infra</b>	<b>Total reportable segments</b>	<b>Other</b>	<b>Holding</b>	<b>Inter- segment eliminations</b>	<b>Consolidated financial information</b>
Reportable segment assets	4,360	6,129	861	873	12,223	26	1,115	(1,744)	11,620
Reportable segment liabilities	(2,647)	(2,317)	(402)	(383)	(5,749)	(13)	(3,776)	1,744	(7,794)
Additions to tangible and intangible assets <sup>(1)</sup>	34	104	12	150	300	-	-	-	300
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	25	83	9	34	151	-	-	-	151

(1) *This balance includes additions to right of use assets, emission rights and goodwill*

**For the year ended 31 December 2020**

*In millions of EUR*

	<b>Gas trans- mission</b>	<b>Gas and power distribution<sup>(2)</sup></b>	<b>Gas storage</b>	<b>Heat Infra</b>	<b>Total reportable segments</b>	<b>Other</b>	<b>Holding</b>	<b>Inter- segment eliminations</b>	<b>Consolidated financial information</b>
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 <sup>(1)</sup>	45	91	9	133	278	-	-	-	278
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights and goodwill)	40	86	9	74	209	-	-	-	209

(1) *This balance includes additions to right of use assets, emission rights and goodwill*

(2) *Gas distribution pipelines held by Gas and power distribution segment were revalued to their Fair value in 2020*

## Information about geographical areas

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

### As of the year ended 31 December 2021

*In millions of EUR*

	Czech Republic	Slovakia	Germany	Total
Property, plant and equipment	591	9,051	167	9,809
Intangible assets and goodwill	256	35	2	293
<b>Total</b>	<b>847</b>	<b>9,086</b>	<b>169</b>	<b>10,102</b>

### For the year ended 31 December 2021

*In millions of EUR*

	Czech Republic	Slovakia	Germany	Other*	Total
Revenues: Gas	370	893	77	64	1,404
Revenues: Electricity	439	798	-	18	1,255
Revenues: Heat	142	-	-	-	142
Revenues: Other energy products	-	-	-	-	-
Revenues: Logistics and freight services	17	3	-	9	29
Revenues: Other	12	9	-	-	21
Gain (loss) from commodity and freight derivatives, net	(59)	-	-	-	(59)
<b>Total</b>	<b>921</b>	<b>1,703</b>	<b>77</b>	<b>91</b>	<b>2,792</b>

\* The geographical area "Other" comprises income items primarily from Switzerland, Luxembourg, France and United Kingdom.

### As of 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
<b>Total</b>	<b>786</b>	<b>9,295</b>	<b>168</b>	<b>10,249</b>

### For the year ended 31 December 2020

*In millions of EUR*

	Czech Republic	Slovakia	Hungary	United Kingdom	Germany	Other*	Total
Revenues: Gas	171	921	77	162	61	170	1,562
Revenues: Electricity	350	788	46	22	-	48	1,254
Revenues: Heat	265	-	60	-	-	-	325
Revenues: Logistics and freight services	13	1	(1)	-	-	5	18
Revenues: Other	20	8	-	-	-	-	28
Gain (loss) from commodity and freight derivatives, net	8	-	-	-	-	-	8
<b>Total</b>	<b>827</b>	<b>1,718</b>	<b>182</b>	<b>184</b>	<b>61</b>	<b>223</b>	<b>3,195</b>

\* The geographical area "Other" comprises income items primarily from Switzerland, Luxembourg 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 2021*

On 1 July 2021, the Group through EP ENERGY TRADING, a.s. completed an acquisition of 100% shares in Dobrá energie s.r.o. (“DE”) in exchange for a cash consideration of EUR 22 million. DE is a Czech based entity that primarily owns a supply portfolio of natural gas and power retail customers.

#### *ii. 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 teplotárenská a.s. and PT měření, a.s. were transferred.

**(b) Effect of acquisitions****i. 31 December 2021**

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Dobrá Energie s.r.o. are provided in the following table.

<i>In millions of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustments</b>	<b>Total</b>
Intangible assets	-	27	27
Trade receivables and other assets	17	-	17
Cash and cash equivalents	4	-	4
Deferred tax liabilities	-	(5)	(5)
Contract liabilities	(4)	-	(4)
Trade payables and other liabilities	(17)	-	(17)
<b>Net identifiable assets and liabilities</b>	<b>-</b>	<b>22</b>	<b>22</b>
<b>Cost of acquisition</b>			
Consideration paid, satisfied in cash (A)			22
<b>Total consideration transferred</b>			<b>22</b>
Less: Cash acquired (B)			<b>4</b>
<b>Net cash inflow (outflow) (C) = (B-A)</b>			<b>(18)</b>

**ii. Rationale for acquisitions**

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

- The subsidiaries' businesses are complementary to Group's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;

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

The Group's view is that there is long-term strategic value in these investments due to the development of the market.

**iii. 31 December 2020**

There were no significant acquisitions or step-acquisitions in 2020

**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 2021 and 2020**

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the 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.

Fair value adjustments resulting from business combination in the year ended 31 December 2021 are presented in the following table:

<i>In millions of EUR</i>	<b>Intangible assets</b>	<b>Deferred tax liability</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>			
Dobrá Energie s.r.o.	27	(5)	22
<b>Total</b>	<b>27</b>	<b>(5)</b>	<b>22</b>

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

<i>In millions of EUR</i>	<b>2021 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	25
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	2

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

<i>In millions of EUR</i>	<b>2021 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2021*	48
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	3

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

#### **(d) Disposal of investments**

##### **i. 31 December 2021**

During the year 2021 the Group disposed of its investments in:

<i>In millions of EUR</i>	<b>Date of disposal</b>	<b>Equity interest disposed</b>	<b>Equity interest after disposal</b>
		<b>%</b>	<b>%</b>
<b>Subsidiaries disposed</b>			
Claymore Equity, s.r.o. v likvidácii	31/3/2021	100	-
PT Holding Investment B.V.	30/9/2021	100	-
Střelnická reality s.r.o.	16/12/2021	100	-
Malešice Reality s.r.o.	16/12/2021	100	-
Zálesí Reality s.r.o.	16/12/2021	100	-
EPRE Reality s.r.o.	16/12/2021	100	-
Power Reality s.r.o.	16/12/2021	100	-

In April 2021, a liquidation process of Claymore Equity, s.r.o. v likvidácii, was completed and entity was dissolved from the Commercial Register and deconsolidated without any significant impact on the Group's financial statements.

On 30 September 2021, PT Holding Investments B.V. was deconsolidated without any significant impact on the Group's financial statements. The company intends to liquidate.

On 16 December 2021, the Group disposed 100% in Střelničná reality s.r.o., Malešice Reality s.r.o., Zálesí Reality s.r.o., EPRE Reality s.r.o. and Power Reality s.r.o.

The effect of disposal is provided in the following table below

<i>In millions of EUR</i>	<b>Net assets sold in 2021</b>
Property, plant and equipment	(38)
Trade receivables and other assets	(2)
Cash and cash equivalents	(2)
Deferred tax liabilities	4
Loans and borrowings	1
Trade payables and other liabilities	2
<b>Net identifiable assets and liabilities</b>	<b>(35)</b>
Translation difference recycled to OCI	7
<b>Net assets value disposed</b>	<b>(28)</b>
Consideration received, satisfied in cash	27
Cash and cash equivalents disposed of	(2)
<b>Net cash inflows</b>	<b>25</b>
<b>Gain (loss) on disposal</b>	<b>(1)</b>

**i. 31 December 2020**

During the year 2020 the Group disposed of its investments in:

<i>In millions of EUR</i>	<b>Date of disposal</b>	<b>Equity interest disposed</b>	<b>Equity interest after disposal</b>
		<b>%</b>	<b>%</b>
<b>Subsidiaries disposed</b>			
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:

<i>In millions of EUR</i>	<b>Net assets sold in 2020</b>
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
<b>Net identifiable assets and liabilities</b>	<b>(211)</b>
Non-controlling interest	4
Pricing differences	9
Translation difference recycled to OCI	(29)
<b>Net assets value disposed</b>	<b>(227)</b>
Consideration received, satisfied in cash	1,011
Cash and cash equivalents disposed of	(46)
<b>Net cash inflows</b>	<b>965</b>
<b>Gain (loss) on disposal</b>	<b>784</b>

## 7. Revenues

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Revenues: Energy and related services		
<i>Gas</i>	1,404	1,562
<i>Electricity</i>	1,255	1,254
<i>Heat</i>	142	325
Total Energy and related services	<u>2,801</u>	<u>3,141</u>
Revenues: Logistics and freight services	<u>29</u>	<u>18</u>
Revenues: Other	<u>21</u>	<u>28</u>
<b>Total revenues from customers</b>	<b><u>2,851</u></b>	<b><u>3,187</u></b>
Gain (loss) from commodity derivatives for trading with electricity and gas, net	<u>(59)</u>	<u>8</u>
<b>Total</b>	<b><u>2,792</u></b>	<b><u>3,195</u></b>

For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

Revenues Energy and related services: Gas consists primarily of revenue from gas transmission of EUR 563 million (2020: EUR 744 million) and from distribution of gas of EUR 437 million (2020: EUR 421 million).

Revenues Energy and related services: Electricity consists primarily of sale of electricity of EUR 1,109 million (2020: EUR 927 million). The amount of EUR 121 million (2020: EUR 195 million) relates to distribution of electricity.

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

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

Total revenues less total purchase and consumables are presented in line “Subtotal” in the statement of comprehensive income.

Contract assets and liabilities primarily relate to not invoiced part of fulfilled performance obligation, received payments for services and goods where control over the assets was not transferred to customer and deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers.

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

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Contract assets	<u>36</u>	<u>54</u>
<i>Current</i>	<u>36</u>	<u>54</u>
<i>Non-Current</i>	<u>-</u>	<u>-</u>
Contract liabilities	<u>156</u>	<u>185</u>

<i>Current</i>	79	70
<i>Non-Current</i>	77	115

The whole amount of EUR 70 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue during the year 2020.

## 8. Purchases and consumables

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
<b>Purchases and consumables: Energy and related services</b>		
<i>Purchase cost of sold electricity</i>	738	722
<i>Purchase cost of sold gas and other energy products</i>	145	116
<i>Consumption of fuel and other material</i>	133	117
<i>Consumption of energy</i>	46	209
<i>Other purchase costs</i>	23	26
<b>Total Energy and related services</b>	<b>1,085</b>	<b>1,190</b>
<b>Purchases and consumables: Other</b>		
<i>Consumption of material</i>	8	13
<i>Changes in WIP, semi-finished products and finished goods</i>	(2)	(1)
<i>Other cost of goods sold</i>	1	9
<i>Consumption of energy</i>	5	3
<i>Other purchases</i>	3	3
<b>Total Other</b>	<b>15</b>	<b>27</b>
<b>Total</b>	<b>1,100</b>	<b>1,217</b>

Purchases and consumables presented in the above table contains only cost of purchased energy and purchased materials consumed in producing energy output and resale of energy products 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

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Wages and salaries	159	171
Compulsory social security contributions	54	57
Other social expenses	10	11
<b>Total</b>	<b>223</b>	<b>239</b>

The average number of employees (calculated using figures of disposed entities until their respective deconsolidation date) during 2021 was 5,799 (2020: 6,428), of which 122 were executives (2020: 130).

## 10. Emission rights

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Profit from sale of emission rights for trading	(1)	2
Deferred income (grant) released to profit and loss	11	10
Creation and release of provision for emission rights	(139)	(84)
Use of provision for emission rights	68	65
Consumption of emission rights	(68)	(65)
<b>Total</b>	<b>(129)</b>	<b>(72)</b>

The increase of emission rights cost is caused primarily by the increase of average price<sup>1</sup> of 1 piece of emission allowance from 25.01 EUR/piece in 2020 to 61.16 EUR/piece in 2021, which was to a certain extent limited by the fact that the Group policy is to hedge a portion of emission rights cost in advance.<sup>1</sup>

The Ministries of the Environment of the Czech Republic and Slovakia 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., eustream, a.s. and NAFTA Germany GmbH.

## 11. Taxes and charges

<i>In millions of EUR</i>	2021	2020
Property tax	2	3
Other taxes and charges	3	6
<b>Total taxes and charges</b>	<b>5</b>	<b>9</b>

## 12. Other operating income

<i>In millions of EUR</i>	2021	2020
Decentralization and cogeneration fee <sup>(1)</sup>	18	14
Property acquired free-of-charge and fees from customers	7	9
Compensation from insurance and other companies	3	9
Rental income	8	7
Consulting fees	6	4
Waste disposal	4	4
Contractual penalties	4	2
Profit from sale of material	2	1
Revenues from writte-off liabilities	-	1
Revenues from re-invoicing	-	1
Other	12	7
<b>Total</b>	<b>64</b>	<b>59</b>

(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)

<sup>1</sup> The average prices are derived from the European Energy Exchange market

### 13. Other operating expenses

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Outsourcing and other administration fees	25	29
Consulting expenses	13	10
Transport expenses	12	10
Information technologies costs	11	12
Impairment losses	11	3
<i>Of which relates to: Property, plant and equipment and intangible assets</i>	(2)	(2)
<i>Trade receivables and other assets</i>	12	4
<i>Inventories</i>	1	1
Rent expenses	10	9
Office equipment and other material	7	8
Loss on disposal of tangible and intangible assets	5	2
Contractual penalties	3	1
Insurance expenses	3	4
Loss from receivables written-off	2	4
Advertising expenses	2	3
Gifts and sponsorship	1	2
Communication expenses	1	1
Training, courses, conferences	1	1
Shortages and damages	1	-
Security services	1	1
Other	14	12
<b>Total</b>	<b>123</b>	<b>112</b>

No material research and development expenses were recognised in profit and loss for the year ended 31 December 2021 and 31 December 2020.

#### Fees payable to statutory auditors

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Statutory audits	1	1
Services in addition to the Statutory audit	-	-
<b>Total</b>	<b>1</b>	<b>1</b>

Fees payable to statutory auditors include expenses recorded by all subsidiaries and also associates and joint-ventures consolidated using the equity method in 100% amount. Statutory audits include fees payable for statutory audits of financial statements. Services in addition to the Statutory audit include primarily the following services:

- Review of the condensed interim consolidated financial statements;
- Provision of a comfort letter for the purpose of issuing bonds;
- Assistance with the compilation of the Sustainability Report;
- Audit of loan covenants;
- Expert opinion on R&D allowance;
- Preparation of a draft comfort letter for a potential capital market transaction

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

### Recognised in profit or loss

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Interest income	3	1
Dividend income	2	3
Fee and commission income	-	1
Net foreign exchange profit	34	-
<b>Finance income</b>	<b>39</b>	<b>5</b>
Interest expense	(92)	(109)
Interest expense from unwind of provision discounting	(2)	(3)
Fees and commissions expense for other services	(5)	(15)
Net foreign exchange loss	-	(27)
<b>Finance expense</b>	<b>(99)</b>	<b>(154)</b>
Profit from loan receivables written off	-	11
Profit (loss) from hedging derivatives	1	6
Profit (loss) from other derivatives for trading <sup>(1)</sup>	-	6
Profit (loss) from assets at fair value through profit or loss	-	1
Profit (loss) from currency derivatives for trading <sup>(1)</sup>	3	(3)
Profit (loss) from interest rate derivatives for trading <sup>(1)</sup>	24	(59)
Impairment losses from financial assets	(10)	(1)
<b>Profit (loss) from financial instruments</b>	<b>18</b>	<b>(39)</b>
<b>Net finance income (expense) recognised in profit or loss for continuing operations</b>	<b>(42)</b>	<b>(188)</b>

(1) While all derivatives are for the risk management purposes, a portion of them does not meet accounting criteria for recognition as hedging instruments under IFRS 9 as further described under Note 3f.

## 15. Income tax expenses

### Income taxes recognized in profit or loss

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
<i>Current taxes:</i>		
Current year	(250)	(333)
Adjustment for prior periods	1	(2)
<b>Total current taxes</b>	<b>(249)</b>	<b>(335)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	44	70
<b>Total deferred taxes</b>	<b>44</b>	<b>70</b>
<b>Total income taxes (expense) benefit recognised in profit or loss for continuing operations</b>	<b>(205)</b>	<b>(265)</b>

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

Balance of current income tax liability in amount of EUR 35 million (2020: EUR 48 million) is mainly represented by SPP – distribúcia, a.s of EUR 13 million (2020: EUR 10 million), NAFTA Germany GmbH of EUR 11 million (2020: EUR 10 million) and eustream, a.s. of EUR 3 million (2020: EUR 13 million),

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech legislation the corporate income tax rates is 19% for fiscal year 2021 (19% for 2020). The Slovak corporate income tax rate is 21% for fiscal year 2021 (21% for 2020). The German federal income tax rate is 27.08% for fiscal year 2021 (26.93% for 2020). Current year income tax line includes also special sector tax effective in Slovakia.

**Income tax recognised in other comprehensive income**

*In millions of EUR*

	<b>2021</b>		
	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
<b>Items that are not reclassified subsequently to profit or loss</b>			
Revaluation reserve included in other comprehensive income	-	-	-
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations	(207)	-	(207)
Foreign currency translation differences from presentation currency	205	-	205
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	(515)	107	(408)
<b>Total</b>	<b>(517)</b>	<b>107</b>	<b>(410)</b>

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

*In millions of EUR*

	<b>2020</b>		
	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
<b>Items that are not reclassified subsequently to profit or loss</b>			
Revaluation reserve included in other comprehensive income	1,768	(453)	1,315
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
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 <sup>(1)</sup>	(29)	7	(22)
<b>Total</b>	<b>1,757</b>	<b>(446)</b>	<b>1,311</b>

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

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

### Reconciliation of the effective tax rate

<i>In millions of EUR</i>		<b>2021</b>		<b>2020</b>
	<b>%</b>		<b>%</b>	
Profit before tax		807		1,759
Income tax using the Company's domestic rate (19%)	19.00%	152	19.00%	334
Effect of tax rates in foreign jurisdictions	1.86%	15	1.36%	24
Non-deductible expenses <sup>(1)</sup>	2.23%	18	3.87%	68
Non-taxable income	(0.50%)	(4)	(13.31%)	(234)
Recognition of previously unrecognized tax losses	(0.62%)	(5)	0.91%	16
Current year losses for which no deferred tax asset was recognized	0.37%	3	0.40%	7
Change in temporary differences for which no deferred tax asset is	(0.12%)	(1)	(0.23%)	(4)
Regulated industry tax <sup>(2)</sup>	3.47%	28	3.07%	54
Withholding tax	(0.12%)	(1)	-	-
<b>Income taxes recognised in profit or loss for continuing operations</b>	<b>25.57%</b>	<b>205</b>	<b>15.07%</b>	<b>265</b>

(1) The basis consists mainly of non-deductible interest expense of EUR 51 million (out of that EUR 28 million refers to debentures and other fix interest bearing securities recorded by EP Infrastructure, a.s.), further of provisions made of EUR 7 million and FX loss related to disposal of investments of EUR 7 million (2020: 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. of EUR 46 million).

(2) This item relates to special industry tax applied in Slovakia. The balance consists mainly of amount recognized by eustream, a.s. of EUR 13 million (2020: EUR 24 million), SPP - distribúcia, a.s. of EUR 8 million (2020: EUR 12 million), NAFTA a.s. of EUR 3 million (2020: EUR 5 million), Stredoslovenská distribučná, a.s. of EUR 3 million (2020: EUR 6 million) and POZAGAS a.s. of EUR 1 million (2020: EUR 2 million).

## 16. Property, plant and equipment

*In millions of EUR*

	Land and buildings <sup>(1)</sup>	Gas transmission pipelines - fair value model	Gas distribution pipelines - fair value model	Gas pipelines - cost model	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
Cost								
<b>Balance at 1 January 2021</b>	<b>2,020</b>	<b>3,803</b>	<b>3,900</b>	<b>12</b>	<b>1,940</b>	<b>11</b>	<b>177</b>	<b>11,863</b>
Effects of movements in foreign exchange	33	-	-	-	54	-	-	87
Additions	37	-	10	-	34	1	88	170
Disposals	(12)	-	(8)	-	(18)	-	(3)	(41)
Disposed entities	(66)	-	-	-	(13)	-	-	(79)
Transfers	20	-	21	-	23	-	(64)	-
Change in provision recorded in property, plant and equipment	28	-	-	-	-	-	-	28
<b>Balance at 31 December 2021</b>	<b>2,060</b>	<b>3,803</b>	<b>3,923</b>	<b>12</b>	<b>2,020</b>	<b>12</b>	<b>198</b>	<b>12,028</b>
<b>Depreciation and impairment losses</b>								
<b>Balance at 1 January 2021</b>	<b>(661)</b>	<b>(126)</b>	<b>(181)</b>	<b>-</b>	<b>(839)</b>	<b>(1)</b>	<b>(8)</b>	<b>(1,816)</b>
Effects of movements in foreign exchange	(20)	-	-	-	(34)	-	(1)	(55)
Depreciation charge for the year	(84)	(89)	(143)	(1)	(104)	(1)	-	(422)
Disposals	11	-	3	-	14	-	3	31
Disposed entities	30	-	-	-	11	-	-	41
Impairment losses recognized in profit or loss	2	-	-	-	-	-	-	2
<b>Balance at 31 December 2021</b>	<b>(722)</b>	<b>(215)</b>	<b>(321)</b>	<b>(1)</b>	<b>(952)</b>	<b>(2)</b>	<b>(6)</b>	<b>(2,219)</b>
<b>Carrying amounts</b>								
<b>At 1 January 2021</b>	<b>1,359</b>	<b>3,677</b>	<b>3,719</b>	<b>12</b>	<b>1,101</b>	<b>10</b>	<b>169</b>	<b>10,047</b>
<b>At 31 December 2021</b>	<b>1,338</b>	<b>3,588</b>	<b>3,602</b>	<b>11</b>	<b>1,068</b>	<b>10</b>	<b>192</b>	<b>9,809</b>

(1) Including right-of-use assets

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

*In millions of EUR*

	Land and buildings <sup>(1)</sup>	Gas transmission pipelines - fair value model	Gas distribution pipelines - fair value model	Gas pipelines - cost model	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
Cost								
<b>Balance at 1 January 2020</b>	<b>2,331</b>	<b>3,803</b>	<b>-</b>	<b>2,592</b>	<b>1,987</b>	<b>18</b>	<b>211</b>	<b>10,942</b>
Effects of movements in foreign exchange	(32)	-	-	-	(26)	(1)	(1)	(60)
Additions	46	-	-	-	54	-	105	205
Reclassification	-	-	2,094	(2,580)	-	-	-	(486)
Revaluation	-	-	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
<b>Balance at 31 December 2020</b>	<b>2,020</b>	<b>3,803</b>	<b>3,900</b>	<b>12</b>	<b>1,940</b>	<b>11</b>	<b>177</b>	<b>11,863</b>
<b>Depreciation and impairment losses</b>								
<b>Balance at 1 January 2020</b>	<b>(739)</b>	<b>(37)</b>	<b>-</b>	<b>(525)</b>	<b>(842)</b>	<b>(3)</b>	<b>(5)</b>	<b>(2,151)</b>
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
<b>Balance at 31 December 2020</b>	<b>(661)</b>	<b>(126)</b>	<b>(181)</b>	<b>-</b>	<b>(839)</b>	<b>(1)</b>	<b>(8)</b>	<b>(1,816)</b>
<b>Carrying amounts</b>								
<b>At 1 January 2020</b>	<b>1,592</b>	<b>3,766</b>	<b>-</b>	<b>2,067</b>	<b>1,145</b>	<b>15</b>	<b>206</b>	<b>8,791</b>
<b>At 31 December 2020</b>	<b>1,359</b>	<b>3,677</b>	<b>3,719</b>	<b>12</b>	<b>1,101</b>	<b>10</b>	<b>169</b>	<b>10,047</b>

(1) Including right-of-use assets

### 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 2021 would be EUR 4,084 million (2020: EUR 4.166 million)(net book value of eustream's assets of EUR 2,090 million (2020: EUR 2,130 million) and net book value of SPPD's assets of EUR 1,994 million (2020: EUR 2,036 million)).

### Idle assets

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

### Security

At 31 December 2021 and 2020 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 relationships and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2021</b>	<b>110</b>	<b>74</b>	<b>69</b>	<b>168</b>	<b>15</b>	<b>436</b>
Effect of movements in foreign exchange rates	9	5	4	1	1	20
Additions	-	2	126	-	2	130
Acquisitions	-	-	-	27	-	27
Disposals	-	(2)	(70)	-	-	(72)
Disposed entities	(3)	-	-	-	-	(3)
Transfers	-	1	-	-	(1)	-
<b>Balance at 31 December 2021</b>	<b>116</b>	<b>80</b>	<b>129</b>	<b>196</b>	<b>17</b>	<b>538</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2021</b>	<b>(11)</b>	<b>(57)</b>	<b>-</b>	<b>(162)</b>	<b>(4)</b>	<b>(234)</b>
Effect of movements in foreign exchange rates	(3)	(3)	-	-	-	(6)
Amortisation for the year	-	(6)	-	(3)	(1)	(10)
Disposals	-	2	-	-	-	2
Disposed entities	3	-	-	-	-	3
<b>Balance at 31 December 2021</b>	<b>(11)</b>	<b>(64)</b>	<b>-</b>	<b>(165)</b>	<b>(5)</b>	<b>(245)</b>
<b>Carrying amount</b>						
<b>At 1 January 2021</b>	<b>99</b>	<b>17</b>	<b>69</b>	<b>6</b>	<b>11</b>	<b>202</b>
<b>At 31 December 2021</b>	<b>105</b>	<b>16</b>	<b>129</b>	<b>31</b>	<b>12</b>	<b>293</b>

*In millions of EUR*

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

In 2021, the Group purchased emission allowances of EUR 112 million (2020: EUR 52 million). The remaining part of EUR 14 million (2020: EUR 11 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic and Slovakia.

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 2021 and 2020.

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. However, no significant research costs were incurred during 2021 and 2020.

#### **Impairment testing for cash-generating units containing goodwill**

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

The aggregate carrying amounts of goodwill allocated to single cash generating units are as follows:

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Elektrárny Opatovice, a.s.	94	88
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.	5	5
SPV100, s.r.o.	1	1
<b>Total goodwill</b>	<b>105</b>	<b>99</b>

#### **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 2021 was based on the following key assumptions:

Cash-flows projected based on past experience and actual operating results consist of one-year business plan and additional six years of modelled projections followed by projected results either based on estimated growth factor plus a terminal value if relevant or based on expected useful life of individual assets. 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 4.07% to 7.06% (2020: 4.51% to 5.48%). Changes in used discount rates compared to prior year reflect recent market development, mainly increase in risk-free rates.

No impairment of Goodwill was recognized in 2021 and in 2020.

#### **Additional information on CGU with significant goodwill assigned:**

The recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Value in use in 2021 was determined in a similar manner as in 2020. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 451 million (2020: EUR 425 million). Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the planned EBITDA. These selected assumptions were as follows:

	<b>2021</b>	<b>2020</b>
Discount rate	5.69%	4.51%
Terminal value growth rate	0.75%	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:

- estimated refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);
- market expectations regarding power and CO2 prices, development based on forward market curves;
- broadly stable heat supplies and modest increase of heat prices;
- 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:

<i>In millions of EUR</i>	31 December 2021	31 December 2021	31 December 2021	31 December 2020	31 December 2020	31 December 2020
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, Plant and Equipment	1	(1,814)	(1,813)	1	(1,854)	(1,853)
Intangible assets	-	(20)	(20)	-	(15)	(15)
Inventories	2	-	2	2	-	2
Trade receivables and other assets	4	-	4	2	-	2
Provisions	49	-	49	44	-	44
Employees benefits (IAS 19)	7	-	7	8	-	8
Unpaid interest, net	-	(2)	(2)	-	-	-
Loans and borrowings	1	(12)	(11)	-	(12)	(12)
Tax losses	-	(1)	(1)	1	-	1
Derivatives	154	(10)	144	31	9	40
Other items	3	(27)	(24)	3	(34)	(31)
<b>Subtotal</b>	<b>221</b>	<b>(1,886)</b>	<b>(1,665)</b>	<b>92</b>	<b>(1,906)</b>	<b>(1,814)</b>
Set-off tax	(201)	201	-	(75)	75	-
<b>Total</b>	<b>20</b>	<b>(1,685)</b>	<b>(1,665)</b>	<b>17</b>	<b>(1,831)</b>	<b>(1,814)</b>

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

### Movements in deferred tax during the year

*In millions EUR*

Balances related to:	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions <sup>(1)</sup>	Outgoing entities <sup>(2)</sup>	Effect of movements in foreign exchange rate	Balance at 31 December 2021
Property, plant and equipment	(1,853)	40	-	-	1	(1)	(1,813)
Intangible assets	(15)	-	-	(5)	-	-	(20)
Inventories	2	-	-	-	-	-	2
Trade receivables and other assets	2	2	-	-	-	-	4
Provisions	44	4	-	-	-	1	49
Employee benefits (IAS 19)	8	-	-	-	-	(1)	7
Unpaid interest, net	-	(2)	-	-	-	-	(2)
Loans and borrowings	(12)	1	-	-	-	-	(11)
Tax losses	1	(2)	-	-	-	-	(1)
Derivatives	40	(4)	107	-	-	1	144
Other	(31)	5	-	-	3	(1)	(24)
<b>Total</b>	<b>(1,814)</b>	<b>44</b>	<b>107</b>	<b>(5)</b>	<b>4</b>	<b>(1)</b>	<b>(1,665)</b>

(1) The balance refers to Dobrá Energie s.r.o.

(2) The balance refers to real estate subsidiaries disposed, namely Malešice Reality s.r.o. of EUR 2 million, Power Reality s.r.o. of EUR 1 million and EPRE Reality s.r.o. of EUR 1 million.

Notes to the consolidated financial statements of EP Infrastructure, a.s. as of and for the year ended 31 December 2021

*In millions EUR*

**Balances related to:**

	<b>Balance at 1 January 2020</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income <sup>(1)</sup></b>	<b>Transfer</b>	<b>Outgoing entities<sup>(2)</sup></b>	<b>Effect of movements in foreign exchange rate</b>	<b>Balance at 31 December 2020</b>
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
Loans and borrowings	(16)	1	-	-	3	-	(12)
Tax losses	-	1	-	-	-	-	1
Derivatives	23	7	7	-	3	-	40
Other	(32)	7	(6)	(2)	1	1	(31)
<b>Total</b>	<b>(1,461)</b>	<b>70</b>	<b>(446)</b>	<b>-</b>	<b>24</b>	<b>(1)</b>	<b>(1,814)</b>

(1) *Revaluation of gas 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.*

**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

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Tax losses carried forward	368	368
<b>Total</b>	<b>368</b>	<b>368</b>

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

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Slovak Gas Holding B.V.	188	175
Seattle Holding B.V.	97	96
EPH Gas Holding B.V.	65	65
Czech Gas Holding Investment B.V.	8	13
Nafta Exploration d.o.o.	4	4
EP Infrastructure, a.s.	4	9
SPP Infrastructure, a.s.	2	2
PT Holding Investments B.V.	-	4
<b>Total</b>	<b>368</b>	<b>368</b>

The entities in the table represent holding companies with insignificant operating activities. The Group does not expect significant taxable profit growth on these entities, so no deferred tax was recognized. If sufficient taxable profit were to be achieved in 2021, then the associated tax income (savings) would be up to EUR 68 million (2020: 68 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:

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>After 2026</b>	<b>Total</b>
<b>Tax losses</b>	114	116	61	29	48	<b>368</b>

Tax losses expire over a period of 5 years in the Czech Republic, 4 years in Slovakia and 6 years (9 years for losses up to 2018) 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**

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Natural gas	147	138
Fossil fuel	14	20
Raw materials and supplies	14	14
Spare parts	13	12
Work in progress	2	-
<b>Total</b>	<b>190</b>	<b>184</b>

At 31 December 2021 and 2020 no inventories were subject to pledges.

## 20. Trade receivables and other assets

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade receivables	349	201
Advance payments	65	37
Value added tax receivables, net	35	3
Other receivables and assets	26	52
Accrued income <sup>(1)</sup>	20	88
Estimated receivables	4	2
Allowance for bad debts	(31)	(22)
<b>Total</b>	<b>468</b>	<b>361</b>
Non-current	44	31
Current	424	330
<b>Total</b>	<b>468</b>	<b>361</b>

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

In 2021 EUR 2 million receivables were written-off through profit or loss (2020: EUR 5 million).

As at 31 December 2021 no receivables are subject to pledges (2020: 0 million).

As at 31 December 2021 trade receivables and other assets amounting EUR 442 million are not past due (2020: EUR 355 million) remaining net balance of EUR 26 million is overdue (2020: EUR 6 million). For more detailed aging analysis refer to Note 32 (a)(ii) – Risk management – credit risk (impairment losses).

As at 31 December 2021 and 2020 the fair value of trade receivables and other assets equal to its carrying amount.

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

## 21. Cash and cash equivalents

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Current accounts with banks	466	564
Term deposits	35	145
<b>Total</b>	<b>501</b>	<b>709</b>

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

As at 31 December 2021 and 2020 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 2021 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each (2020: 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 (2020: 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 2021 the Company declared and paid dividends in amount of EUR 100 million (2020: EUR 1,128 million) to its shareholders.

In 2021 and 2020 the Group paid dividends as follows:

<i>in millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Shareholders of the Company	100	1,128
NCI*	119	106
<b>Total</b>	<b>219</b>	<b>1,234</b>

\* Comprise of dividends paid to non-controlling shareholders which are mainly SPP, a.s., Ministry of Economy of the Slovak Republic and City of Pilsen

<b>31 December 2021</b>	<b>Number of shares</b>		<b>Ownership</b>	<b>Voting rights</b>
<i>In thousands of pieces</i>	<b>250 CZK</b>		<b>%</b>	<b>%</b>
	<b>Shares A</b>	<b>Shares B</b>		
EPIF Investments a.s.	222,870	-	69	69
CEI INVESTMENTS S.a.r.l.	-	100,130	31	31
<b>Total</b>	<b>222,870</b>	<b>100,130</b>	<b>100</b>	<b>100</b>

<b>31 December 2020</b>	<b>Number of shares</b>		<b>Ownership</b>	<b>Voting rights</b>
<i>In thousands of pieces</i>	<b>250 CZK</b>		<b>%</b>	<b>%</b>
	<b>Shares A</b>	<b>Shares B</b>		
EPIF Investments a.s.	222,870	-	69	69
CEI INVESTMENTS S.a.r.l.	-	100,130	31	31
<b>Total</b>	<b>222,870</b>	<b>100,130</b>	<b>100</b>	<b>100</b>

Reserves recognised in equity comprise the following items:

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Non-distributable reserves	1	1
Revaluation reserve	1,335	1,377
Hedging reserve	(321)	(102)
Translation reserve	(54)	(33)
Other capital reserves	(3,814)	(3,814)
<b>Total</b>	<b>(2,853)</b>	<b>(2,571)</b>

### 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 derivatives (financial and commodity) 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 2021 the Group reclassified EUR 139 million as expense from Hedging reserves to Profit or loss (2020: EUR 73 million as income).

## 23. Earnings per share

### Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 250 (2020: in EUR per 1 share of CZK 250) nominal value equal 0.97 (2020: 3.44).

The calculation of basic earnings per share as at 31 December 2021 was based on profit attributable to ordinary shareholders of EUR 313 million (2020: EUR 1,111 million), and a weighted average number of ordinary shares outstanding of 323,000,000 (2020: 323,000,000).

#### Weighted average number of ordinary shares 2021

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

#### Weighted average number of ordinary shares 2020

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

### 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 2021 <i>In millions of EUR</i>	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	<sup>(6)</sup> 51.00%	31.01%	<sup>(6)</sup> 51.00%	<sup>(6)</sup> 51.00%	<sup>(6)</sup> 51.00%	38.01%	65.00%		
Business activity	Distribution of electricity	Gas storage and exploration	Distribution of gas	Distribution of gas	Transmission of gas	Gas storage and exploration	Production and distribution of heat		
Country <sup>(1)</sup>	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Slovakia	Czech Republic		
Carrying amount of NCI at 31 December 2021	387	114	(340)	1,561	874	36	138	14	2,784
Profit (loss) attributable to non- controlling interest for the period	40	25	(1)	67	133	5	11	9	289
Dividends declared	(113)	(1)	(220)	-	-	-	(5)	(1)	(340)
Statement of financial position information <sup>(2)</sup>									
Total assets	1,175	691	5,597	4,538	4,369	122	293		
of which: non-current	857	568	<sup>(4)</sup> 5,559	4,031	4,139	45	219		
current	318	123	38	507	230	77	74		
Total liabilities	416	322	1,195	1,476	2,655	26	81		
of which: non-current	198	273	773	1,361	2,011	21	27		
current	218	49	422	115	644	5	54		
Net assets	759	369	4,402	3,062	1,714	95	212	-	-
Statement of comprehensive income information <sup>(2)</sup>									
Total revenues	1,121	226	285	466	565	31	150		
of which: dividends received	-	13	<sup>(5)</sup> 270	-	-	-	-		
Profit after tax	293	90	268	131	261	14	17		
Total other comprehensive income for the period, net of tax	-	-	-	2	(373)	-	-		
Total comprehensive income for the year <sup>(2)</sup>	293	90	268	133	(112)	14	17	-	-
Net cash inflows (outflows) <sup>(2)</sup>	(160)	(30)	7	(29)	23	4	18		

(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 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.

<b>31 December 2020</b> <i>In millions of EUR</i>	<b>Stredoslovenská energetika Holding, a.s. and its subsidiaries (included SSD)</b>	<b>NAFTA a.s. and its subsidiaries</b>	<b>SPP Infrastructure, a.s. and its subsidiaries<sup>(3)</sup></b>	<b>SPP distribúcia, a.s. and its subsidiaries</b>	<b>eustream a.s.</b>	<b>POZAGAS a.s.</b>	<b>Plzeňská teplárenská, a.s.</b>	<b>Other individually immaterial subsidiaries</b>	<b>Total</b>
<b>Non-controlling percentage</b>	<sup>(6)</sup> <b>51.00%</b>	<b>31.01%</b>	<sup>(6)</sup> <b>51.00%</b>	<sup>(6)</sup> <b>51.00%</b>	<sup>(6)</sup> <b>51.00%</b>	<b>38.01%</b>	<b>65.00%</b>		
<b>Business activity</b>	Distribution of electricity	Gas storage and exploration	Holding entity	Distribution of gas	Transmission of gas	Gas storage and exploration	Production and distribution of heat		
<b>Country<sup>(1)</sup></b>	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Slovakia	Czech Republic		
<b>Carrying amount of NCI at 31 December 2020</b>	<b>461</b>	<b>111</b>	<b>(252)</b>	<sup>(7)</sup> <b>1,493</b>	<b>1,036</b>	<b>38</b>	<b>125</b>	<b>-</b>	<b>3,012</b>
<b>Profit (loss) attributable to non-controlling interest for the period</b>	<b>78</b>	<b>32</b>	<b>-</b>	<b>59</b>	<b>191</b>	<b>7</b>	<b>7</b>	<b>10</b>	<b>384</b>
<b>Dividends declared</b>	<b>(96)</b>	<b>(1)</b>	<b>(268)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>(1)</b>	<b>(374)</b>
<b>Statement of financial position information<sup>(2)</sup></b>									
Total assets	1,226	795	5,585	4,467	4,413	122	245		
of which: non-current	823	630	<sup>(4)</sup> 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		
<b>Net assets</b>	<b>904</b>	<b>357</b>	<b>4,565</b>	<b>2,928</b>	<b>2,030</b>	<b>101</b>	<b>192</b>	<b>-</b>	<b>-</b>
<b>Statement of comprehensive income information<sup>(2)</sup></b>									
Total revenues	1,018	243	617	447	747	40	121		
of which: dividends received	-	-	<sup>(5)</sup> 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)	-	-		
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>152</b>	<b>100</b>	<b>584</b>	<b>1,431</b>	<b>320</b>	<b>19</b>	<b>11</b>	<b>-</b>	<b>-</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>29</b>	<b>14</b>	<b>(10)</b>	<b>11</b>	<b>(146)</b>	<b>7</b>	<b>(6)</b>		

(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.

## 25. Loans and borrowings

<i>In millions of EUR</i>	31 December 2021	31 December 2020
Loans payable to credit institutions	207	1,042
Loans payable to other than credit institution	-	1
Issued debentures at amortised costs	3,872	3,441
Bank overdraft	-	-
Liabilities from financial leases	62	58
<b>Total</b>	<b>4,141</b>	<b>4,542</b>
Total non-current liabilities	4,079	3,926
Total current liabilities	62	616
<b>Total</b>	<b>4,141</b>	<b>4,542</b>

The weighted average interest rate on loans and borrowings (excl. debentures) for 2021 was 0.91% (2020: 1.06%).

### Issued debentures at amortised costs

Details about debentures issued as at 31 December 2021 are presented in the following table:

<i>In millions of EUR</i>	Principal	Accrued interest	Unamortised transactions cost/premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond II	500	12	(2)	12/2/2025	2.625	2.685
eustream bond	500	4	(3)	25/6/2027	1.625	1.759
EP Infrastructure 2024 notes	750	8	(2)	26/4/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(3)	30/7/2026	1.698	1.795
EP Infrastructure 2028 notes	500	2	(3)	9/10/2028	2.045	2.117
EP Infrastructure 2031 notes	500	8	(3)	2/3/2031	1.816	1.888
SPPD bond	500	3	(3)	9/6/2031	1.000	1.079
<b>Total</b>	<b>3,850</b>	<b>41</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	<b>-</b>

Details about debentures issued as at 31 December 2020 are presented in the following table:

<i>In millions of EUR</i>	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
eustream bond	500	5	(3)	25/6/2027	1.625	1.759
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	2.150	2.360
EP Infrastructure 2028 notes	500	2	(3)	9/10/2028	2.045	2.117
SPPD bond	500	7	(1)	23/6/2021	2.625	2.828
<b>Total</b>	<b>3,420</b>	<b>38</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>

EP Infrastructure bonds (2024 Notes)

On 26 April 2018, EP Infrastructure successfully placed at par its debut international offering of EUR 750 million. Notes are issued in nominal value of EUR 100,000 each and bear 1.659% fixed rate and are unsecured (“2024 Notes”). The 2024 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2024 Notes will be redeemed at their principal amount on 26 April 2024.

The Group may prematurely redeem all, but not part, of the 2024 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, the Group may redeem all, but not part, of the 2024 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2024 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2024 Notes contain a covenant limiting certain types of distributions to issuer’s shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group’s net debt to Group’s EBITDA (i.e. net leverage) before certain types of distributions are carried out.

The 2024 Notes are stated net of debt issue costs of EUR 5 million (at inception). These costs are allocated to the profit and loss account over the term of the 2024 Notes through the effective interest rate of 1.786%.

EP Infrastructure bonds (2026 Notes)

On 30 July 2019, EP Infrastructure successfully placed at par its offering of EUR 600 million 1.698% fixed rate unsecured notes due in July 2026 in the denomination of EUR 100,000 each (“2026 Notes”). The 2026 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2026 Notes will be redeemed at their principal amount on 30 July 2026. The Group may prematurely redeem all, but not part, of the 2026 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, the Group may redeem all, but not part, of the 2026 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2026 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2026 Notes contain a covenant limiting certain types of distributions to issuer’s shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group’s net debt to Group’s EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2026 Notes are stated net of debt issue costs of EUR 4 million. These costs are allocated to the profit and loss over the term of the 2026 Notes through the effective interest rate of 1.795%.

EP Infrastructure bonds (2028 Notes)

On 9 October 2019, EP Infrastructure successfully placed at par its offering of EUR 500 million 2.045% fixed rate unsecured notes due in October 2028 in the denomination of EUR 100,000 each (“2028 Notes”). The 2028 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 9 October 2028.

The Group may prematurely redeem all, but not part, of the 2028 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, the Group may redeem all, but not part, of the 2028 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2028 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2028 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2028 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2028 Notes through the effective interest rate of 2.117%.

EP Infrastructure bond (2031 Notes)

On 2 March 2021, EP Infrastructure successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in March 2031 in the denomination of EUR 100,000 each ("2031 Notes"). The 2031 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 2 March 2031. The proceeds of the 2031 Notes were used for partial prepayment of the Group's financial indebtedness.

The Group may prematurely redeem all, but not part, of the 2031 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2031 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2031 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2031 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2031 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2031 Notes through the effective interest rate of 1.888%.

2031 SPPD bond

On 9 June 2021, SPP - distribúcia, a.s. issued unsecured notes in the amount of EUR 500 million with a fixed interest rate of 1% p.a. The SPPD Bonds are listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The SPPD Bonds are redeemable on 9 June 2031.

The SPPD Bonds are unsecured. However, their terms contain a negative pledge covenant according to which SPPD or any of its subsidiaries shall not create or permit to subsist any security interest upon the whole or any part of its present or future undertakings, assets or revenues, subject to certain exceptions specified therein.

Further, SPPD may prematurely redeem all, but not part, of the 2031 notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" amount. Further, SPPD may redeem all, but not part, of the 2031 notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, holders of the 2031 notes may require the SPPD to redeem the 2031 notes prematurely at 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any. In addition, the SPPD Bonds contain customary events of defaults.

The 2031 SPPD bond is stated net of debt issue costs of EUR 2 million. These costs are amortized over the maturity of the notes to the profit and loss account through the effective interest rate of 1.079%. The proceeds of the 2031 SPPD Notes were used for repayment of the SPPD's notes due in June 2021 and general corporate purposes.

SPP Infrastructure Financing bond II (2025 Notes)

On 12 February 2015, SPP Infrastructure Financing B.V. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The SPP Infrastructure Financing bond II is listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The bond is guaranteed unconditionally and irrevocably by Eustream. Bond may be prematurely redeemed under same conditions as Eustream bond below.

The maturity of bonds is on 12 February 2025.

The 2020 SPP Infrastructure Financing B.V. bond is stated net of debt issue costs of EUR 1 million (at inception). These costs are allocated to the profit and loss account through the effective interest rate of 2.685%.

2027 eustream bond

On 25 June 2020, eustream, a.s. issued 7-year senior unsecured bond in the total amount of EUR 500 million bearing fixed interest rate of 1.625% per annum. The Eustream Bond is listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin.

Coupon is payable annually in arrears on 25 June of each year. The 2027 eustream bond is reported net of debt issue costs of EUR 2 million. These costs are allocated to the profit and loss account using effective interest rate of 1.759%.

Eustream may prematurely redeem all, but not part, of the 2027 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, Eustream may redeem all, but not part, of the 2027 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, Eustream may be required to offer to redeem the 2027 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

**Other loans and borrowings****Terms and debt repayment schedule**

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

<i>In millions of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31/12/2021</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Unsecured bank loan	EUR	variable*	2024	77	7	70	-
Unsecured bank loan	EUR	variable*	2027	65	-	-	65
Unsecured bank loan	EUR	variable*	2029	60	-	-	60
Unsecured bank loan	EUR	fixed	2023	5	2	3	-
Liabilities from finance leases	EUR			62	12	36	14
<b>Total interest- bearing liabilities</b>				<b>269</b>	<b>21</b>	<b>109</b>	<b>139</b>

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

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

<i>In millions of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31/12/2020</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Unsecured bank loan	EUR	variable*	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
<b>Total interest- bearing liabilities</b>				<b>1,101</b>	<b>91</b>	<b>821</b>	<b>189</b>

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

**EPIF Facilities Agreement**

EP Infrastructure, a.s. is a party to a term and revolving facilities agreement dated 14 January 2020 with a group of financing banks (the “EPIF’s Facilities Agreement”), pursuant to which EPIF has been provided with term facility A in the amount of EUR 400 million due 14 January 2025 (which was fully repaid on 5 March 2021) and revolving facility B with a committed limit of EUR 400 million due 14 January 2025 (with no amount outstanding as of 31 December 2021).

The debts of EPIF under the EPIF’s Facilities Agreement are general, senior unsecured debts of the EPIF and rank equally in right of payment with the EPIF’s existing and future indebtedness that is not subordinated in right of payment.

The EPIF’s Facilities Agreement contains restrictive provisions which, among other things, limit the Group’s ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or EPIF’s ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. For example, EPIF can make distributions and certain other payments and the Group can perform acquisitions if, among other things, the Group net leverage does not

exceed a certain limit, and the Group can incur additional financial indebtedness if, among other things, certain net leverage limits set for various Group levels are met, among other things, the Group's proportionate net leverage ratio does not exceed 4.5x. The EPIF's Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment.

#### NAFTA Facilities Agreement

NAFTA is a party to a senior term and revolving facilities agreement dated 25 January 2019 with a group of financing banks (the "NAFTA's Facilities Agreement"), pursuant to which NAFTA has been provided with a term facility in the amount of EUR 175 million due 25 January 2024 (facility was fully repaid in 2021) and a revolving facility with a committed limit of EUR 75 million due 25 January 2024 (with no amount outstanding as of 31 December 2021).

The obligations of NAFTA under the NAFTA's Facilities Agreement are general, senior unsecured obligations and rank equally in right of payment with NAFTA's existing and future indebtedness that is not subordinated in right of payment.

The NAFTA's Facilities Agreement contains restrictive provisions which, among other things, limit the NAFTA's ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or the NAFTA's ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. The NAFTA's Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory repayment.

#### Nafta Revolving Facility Agreement

NAFTA is a party to a framework agreement on provision of financial services dated 31 July 2013 with Komerční banka, a.s. (the "NAFTA's Framework Agreement"), as amended from time to time, pursuant to which a facility in the total amount of EUR 58.5 million is available to NAFTA, which may be utilised in form of a mid-term loan (up to EUR 43.5 million, due on 24 January 2024) and/or the following forms of utilisations up to the total limit of EUR 15 million: an overdraft loan, short term loans (up to 3-month tenor), performance bonds, retention guarantees, payment guarantees, bid bonds, advance payment guarantees, documentary letters of credit, and certain specific performance bonds (up to EUR 0.5 million). As at 31 December 2021, the total amount outstanding under the NAFTA's Framework Agreement is EUR 50 million and consists of EUR 43.5 million of a mid-term loan and EUR 6.5 million short term revolving loan.

The obligations of NAFTA under the NAFTA's Framework Agreement are general, senior unsecured obligations and rank equally in right of payment with NAFTA's existing and future indebtedness that is not subordinated in right of payment.

The NAFTA's Framework Agreement contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the NAFTA's ability to dispose of assets or merge with other companies. The restrictions are subject to a number of exceptions and qualifications. Moreover, the NAFTA's Framework Agreement contains customary events of default, including, among other things, non payment, misrepresentation, cross-default, insolvency, insolvency proceedings, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lender may cancel its commitments and/or declare all or part of the loans or other utilisation, together with accrued interest, immediately due and payable.

#### Eustream Facilities Agreements

Eustream is a party to a series of six bilateral revolving credit facility agreements dated 20 December 2019, as amended and restated from time to time, with several external lenders, and a syndicated revolving credit facility agreement dated 20 December 2019 with, among others, Slovenská sporiteľňa, a.s. as agent, and certain financial institutions named therein as lenders (the "Eustream Facilities Agreements"). The

revolving facilities have terms of three to five years. In addition, commitment limits of several revolving facilities provided under the Eustream Facilities Agreements were reduced in July 2020 to the aggregate amount up to EUR 275 million (with no amount outstanding as of 31 December 2021).

The obligations of Eustream under the Eustream Facilities Agreements are general, senior unsecured obligations and rank equally in right of payment with the Eustream's existing and future indebtedness that is not subordinated in right of payment. The final maturity dates with respect to the revolving loan facilities under the Eustream Facilities Agreements occur between 20 December 2022 and 2024.

The Eustream Facilities Agreements contain restrictive provisions and undertakings standard for this type of financing which, among other things, limit the Eustream's ability to dispose of assets, create security, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Some of the Eustream Facilities Agreements also contain a change of control provision the triggering of which may result in mandatory prepayment. In addition, the Eustream Facilities Agreements contains customary events of defaults, including, among other things, non-payment, breach of other obligations, misrepresentation, cross default, insolvency, insolvency proceedings, creditors' process, unlawfulness, repudiation and material adverse change. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

#### SPPD Finance Contract I

SPPD is a party to a finance contract with the European Investment Bank ("EIB") dated 12 November 2014, as amended or restated from time to time ("SPPD Finance Contract I"). The SPPD Finance Contract I is English law governed and provides for a term loan in the aggregate amount of EUR 80 million due 23 December 2024 (with EUR 27 million outstanding as of 31 December 2021) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2014 and 2018.

The obligations of SPPD under the SPPD Finance Contract I are general, senior unsecured obligations of SPPD and rank equally in right of payment with the SPPD's existing and future indebtedness that is not subordinated in right of payment, including the SPPD Bonds. SPPD may, if it gives prior notice not less than one month, prepay the whole or any part of any tranche under the SPPD Finance Contract I, together with any accrued interest and indemnities. Furthermore, the SPPD Finance Contract I contains financial covenants involving the regular testing of the SPPD's net debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 30 June and 31 December of each year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel its commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the SPPD Finance Contract I contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the SPPD's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, the SPPD Finance Contract I contains customary events of defaults, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

#### SPPD Finance Contract II

SPPD is a party to the finance contract with EIB dated 25 September 2018, as amended and/or restated from time to time ("SPPD Finance Contract II"). The SPPD Finance Contract II is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 60 million due 23 September 2029 (with EUR 60 million outstanding as of as of 31 December 2021) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2019 and 2022.

The obligations of SPPD under the SPPD Finance Contract II are general, senior unsecured obligations of SPPD and rank equally in right of payment with the SPPD's existing and future indebtedness that is not subordinated in right of payment, including the SPPD Bonds. SPPD may, if it gives prior notice of no less than 30 calendar days, prepay the whole or any part of any tranche under SPPD Finance Contract II, together with any accrued interest and indemnities. Furthermore, the SPPD Finance Contract II contains financial covenants involving the regular testing of the SPPD's net debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 31 January and 31 July of any year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the SPPD Finance Contract II contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the SPPD's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, SPPD Finance Contract II contains customary events of defaults, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

#### Eustream Finance Contract

Eustream is a party to the finance contract with EIB dated 27 December 2017, as amended and/or restated from time to time (the "Eustream Finance Contract"). The Eustream Finance Contract is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 65 million due 31 December 2027 (with EUR 65 million outstanding as of 31 December 2021) for the financing of the Poland-Slovak interconnector and modification of the existing compressor station at Velké Kapušany.

The obligations of Eustream under the Eustream Finance Contract are general, senior unsecured obligations of Eustream and rank equally in right of payment with the Eustream's existing and future indebtedness that is not subordinated in right of payment, including the Eustream Bonds. Furthermore, the Eustream Finance Contract contains financial covenants involving the regular testing of the Eustream's net debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 31 December and 30 June of any year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the Eustream Finance Contract contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the Eustream's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, the Eustream Finance Contract contains customary events of defaults, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

## Fair value information

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

<i>In millions of EUR</i>	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>
Loans payable to credit institutions	207	207	1,042	1,043
Loans payable to other than credit institution	-	-	1	1
Issued debentures at amortised costs	3,872	3,995	3,441	3,501
Liabilities from financial leases	62	65	58	61
<b>Total</b>	<b>4,141</b>	<b>4,267</b>	<b>4,542</b>	<b>4,606</b>

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

## Significant investing and financing activities not requiring cash:

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Financing activities	220	270
<b>Total</b>	<b>220</b>	<b>270</b>

For the year 2021 and 2020 non-cash financing activities include partial set-off of SPPI loan provided to Slovenský plynárenský priemysel, a.s. The total amount of the loan was EUR 220 million (2020: EUR 270 million), of which the amount EUR 220 million (2020: EUR 270 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**

	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	NCI	Total
<b>Balance as at 1 January 2021</b>	<b>1,042</b>	<b>1</b>	<b>-</b>	<b>3,441</b>	<b>58</b>	<b>2,996</b>	<b>(2,571)</b>	<b>644</b>	<b>3,012</b>	<b>8,623</b>
<i>Changes from financing cash flows</i>										
Proceeds from loans and borrowings	105	-	-	1,000	-	-	-	-	-	1,105
Repayment of borrowings	(941)	(1)	-	(570)	-	-	-	-	-	(1,512)
Transaction cost related to loans and borrowings	-	-	-	(5)	-	-	-	-	-	(5)
Payment of finance lease liabilities	-	-	-	-	(14)	-	-	-	-	(14)
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	(220)	(220)
Dividend paid	-	-	-	-	-	-	-	(100)	(119)	(219)
<b>Total change from financing cash flows</b>	<b>(836)</b>	<b>(1)</b>	<b>-</b>	<b>425</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>(100)</b>	<b>(339)</b>	<b>(865)</b>
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	-	-	-	-
Total effect of changes in foreign exchange rates	(2)	-	-	3	2	-	(15)	-	-	(12)
<i>Other changes</i>										
<b>Liability related</b>										
Interest expense	10	-	-	84	1	-	-	-	-	95
Interest paid	(7)	-	-	(81)	(1)	-	-	-	-	(89)
Lease liability (impact of IFRS16)	-	-	-	-	16	-	-	-	-	16
<b>Total liability-related other changes</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(267)</b>	<b>355</b>	<b>111</b>	<b>199</b>
<b>Balance at 31 December 2021</b>	<b>207</b>	<b>-</b>	<b>-</b>	<b>3,872</b>	<b>62</b>	<b>2,996</b>	<b>(2,853)</b>	<b>899</b>	<b>2,784</b>	<b>7,967</b>

**Reconciliation of movement of liabilities to cash flows arising from financing activities**

	Loans from credit institutions	Loans from other than credit institutions	Liabilities Bank overdraft	Issued debentures	Finance lease liabilities	Share capital / premium	Equity Reserves	Retained earnings	NCI	Total
<b>Balance as at 1 January 2020</b>	<b>1,200</b>	<b>-</b>	<b>31</b>	<b>3,700</b>	<b>76</b>	<b>2,996</b>	<b>(3,226)</b>	<b>641</b>	<b>2,371</b>	<b>7,789</b>
<i>Changes from financing cash flows</i>										
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)
<b>Total change from financing cash flows</b>	<b>(159)</b>	<b>1</b>	<b>(31)</b>	<b>(254)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>(1,128)</b>	<b>(376)</b>	<b>(1,961)</b>
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	(10)	-	-	-	-	(10)
Total effect of changes in foreign exchange rates	(1)	-	-	(5)	-	-	25	-	-	19
<i>Other changes</i>										
<b>Liability related</b>										
Interest expense	18	-	-	89	2	-	-	-	-	109
Interest paid	(16)	-	-	(89)	(1)	-	-	-	-	(106)
Lease liability (impact of IFRS16)	-	-	-	-	5	-	-	-	-	5
<b>Total liability-related other changes</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>630</b>	<b>1,131</b>	<b>1,017</b>	<b>2,778</b>
<b>Balance at 31 December 2020</b>	<b>1,042</b>	<b>1</b>	<b>-</b>	<b>3,441</b>	<b>58</b>	<b>2,996</b>	<b>(2,571)</b>	<b>644</b>	<b>3,012</b>	<b>8,623</b>

## 26. Provisions

<i>In millions of EUR</i>	<b>Employee benefits</b>	<b>Provision for emission rights</b>	<b>Provision for restoration and decommissioning</b>	<b>Provision for lawsuits and litigations</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2021</b>	<b>43</b>	<b>66</b>	<b>188</b>	<b>1</b>	<b>22</b>	<b>320</b>
Provisions made during the year	2	139	2	-	6	149
Provisions used during the year	(5)	(68)	(1)	-	(1)	(75)
Provisions released during the year	-	-	(4)	-	-	(4)
Unwind of discount <sup>(1)</sup>	-	-	2	-	-	2
Change in provision recorded in property, plant and equipment	-	-	24	-	4	28
Effect of movements in foreign exchange rates	-	5	(1)	-	1	5
<b>Balance at 31 December 2021</b>	<b>40</b>	<b>142</b>	<b>210</b>	<b>1</b>	<b>32</b>	<b>425</b>
<b>Non-current</b>	<b>39</b>	<b>-</b>	<b>204</b>	<b>1</b>	<b>20</b>	<b>264</b>
<b>Current</b>	<b>1</b>	<b>142</b>	<b>6</b>	<b>-</b>	<b>12</b>	<b>161</b>

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

<i>In millions of EUR</i>	<b>Employee benefits</b>	<b>Provision for emission rights</b>	<b>Provision for restoration and decommissioning</b>	<b>Provision for lawsuits and litigations</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>40</b>	<b>68</b>	<b>182</b>	<b>1</b>	<b>31</b>	<b>322</b>
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 <sup>(1)</sup>	-	-	2	-	-	2
Disposed entities	-	(18)	(2)	-	(6)	(26)
Effect of movements in foreign exchange rates	(1)	(3)	(1)	-	-	(5)
<b>Balance at 31 December 2020</b>	<b>43</b>	<b>66</b>	<b>188</b>	<b>1</b>	<b>22</b>	<b>320</b>
<b>Non-current</b>	<b>42</b>	<b>-</b>	<b>183</b>	<b>1</b>	<b>21</b>	<b>247</b>
<b>Current</b>	<b>1</b>	<b>66</b>	<b>5</b>	<b>-</b>	<b>1</b>	<b>73</b>

(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 40 million (2020: EUR 43 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 13 million (2020: EUR 14 million) were recorded by NAFTA Germany and its subsidiaries and in amount of EUR 11 million (2020: EUR 12 million) by Stredoslovenská energetika Holding, a.s. and Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.) EUR 6 million (2020: EUR 6 million) by SPP – distribúcia, a.s., EUR 4 million (2020: EUR 4 million) by eustream, a.s. and EUR 4 million (2020: EUR 4 million) by NAFTA a.s.

*i. 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.

*ii. 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:

<b>Years of service</b>	<b>Multiples of average monthly wage</b>
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:

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.

*iii. Other companies*

The long-term employee benefits program at the Companies (NAFTA, SPPD and eustream) is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement as a multiple of the employee's average salary and, subject to vesting conditions. To date it has been an unfunded program, with no separately allocated assets to cover the program's liabilities. The Companies also pays benefits for work and life anniversaries.

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

**Provision for emission rights**

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

### **Provision for restoration and decommissioning**

The provision of EUR 210 million (2020: 187 million) was primarily recorded by NAFTA a.s. EUR 98 million (2020: EUR 92 million), NAFTA Germany GmbH EUR 80 million (2020: EUR 71 million), POZAGAS a.s. EUR 17 million (2020: EUR 12 million), eustream, a.s. EUR 5 million (2020: EUR 6 million) and SPP Storage, s.r.o. EUR 6 million (2020: EUR 4 million).

NAFTA a.s. currently has 115 production wells in addition to 236 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA a.s. has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2021: 1.08%; 2020: 0.80%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2022 and 2093.

NAFTA Germany GmbH (through its subsidiaries) currently has 48 storage wells. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA Germany GmbH has the obligation to dismantle the storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2021: 1.16%; 2020: 0.90%). The provision takes into account the estimated costs for the abandonment of storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2039 and 2048.

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 (2021: 1.22%; 2020: 1.12%).

SPP Storage, s.r.o. (“SPP Storage”) currently has 3 production wells and 38 storage wells. Production wells that are currently in production are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives or after the operation of the underground storage facility is discontinued. SPP Storage, s.r.o. has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2021: 2.95%; 2020: 1.73%). The provision takes into account the estimated costs for the abandonment of production and storage wells and the costs of restoring the sites to their original condition. SPP Storage, s.r.o. prepared new estimated costs for abandonment and restoration in 2021. These costs are expected to be incurred between 2034 and 2091.

The Group uses stress tests in the form of expected costs, inflation and discount rate shocks, i.e. simulated immediate increase/decrease of expected costs by 10% and increases in inflation or the discount rate by 1%.

At the reporting date, a change of 10% in the expected costs would have increased or decreased the provision for asset retirement obligations by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

At the reporting date, an increase of 1% in the inflation or discount rate, or a 10% change in the expected costs of decommissioning, would have increased or decreased the provision for asset retirement obligations by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Decrease of expected cost of 10%	18	16
Increase of expected costs of 10%	(18)	(16)
Increase of inflation rate of 1%	(44)	(40)
Increase of discount rate of 1%	32	30

## 27. Deferred income

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Government grants	92	90
Other deferred income	19	19
<b>Total</b>	<b>111</b>	<b>109</b>
Non-current	94	85
Current	17	24
<b>Total</b>	<b>111</b>	<b>109</b>

Balance of government grants in amount of EUR 92 million (2020: EUR 90 million) is mainly represented by eustream, a.s. of EUR 58 million (2020: EUR 58 million), Elektrárny Opatovice, a.s. of EUR 20 million (2020: EUR 19 million), Alternative Energy, s.r.o. of EUR 3 million (2020: EUR 3 million) and Severočeská teplárenská, a.s. of EUR 7 million (2020: EUR 7 million).

Balance of government grants recognised by eustream are primarily represented by subsidies from the European Commission relating to projects such as interconnection pipelines between Poland and Slovakia or Hungary and Slovakia.

Elektrárny Opatovice, a.s. and Alternative Energy, s.r.o. were provided with government grants to reduce emission pollutions and to build biogas facility. Deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of other deferred income in amount of EUR 19 million (2020: EUR 19 million) consists mainly of deferred income recognized by EP Cargo a.s. in the amount of EUR 11 million (2020: EUR 11 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**

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Assets carried at amortized cost</b>		
Loans to other than credit institutions	32	38
<i>of which receivables from related parties</i>	4	8
<b>Total</b>	<b>32</b>	<b>38</b>
<b>Assets carried at fair value</b>		
<b>Hedging:</b> of which	<b>228</b>	<b>24</b>
<i>Commodity derivatives cash flow hedge<sup>(1)</sup></i>	228	24
<b>Non-hedging:</b> of which	<b>6</b>	<b>1</b>
<i>Commodity derivatives reported as trading</i>	4	-
<i>Currency derivatives reported as trading</i>	2	1
<b>Equity instruments at fair value through OCI:</b> of which	<b>15</b>	<b>13</b>
<i>Shares and interim certificates at fair value through OCI</i>	15	13
<b>Total</b>	<b>249</b>	<b>38</b>
Non-current	41	38
<i>of which owed by other Group related companies</i>	4	8
Current	240	38
<b>Total</b>	<b>281</b>	<b>76</b>

**Financial instruments and other financial liabilities**

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Liabilities carried at fair value</b>		
<b>Hedging:</b> of which	<b>722</b>	<b>88</b>
<i>Interest rate swaps cash flow hedge</i>	3	63
<i>Commodity derivatives cash flow hedge<sup>(1)</sup></i>	716	24
<i>Currency forwards cash flow hedge</i>	3	1
<b>Non-hedging:</b> of which	<b>134</b>	<b>143</b>
<i>Interest rate swaps reported as trading</i>	130	143
<i>Commodity derivatives reported as trading</i>	4	-
<b>Total</b>	<b>856</b>	<b>231</b>
Non-current	182	134
Current	674	97
<b>Total</b>	<b>856</b>	<b>231</b>

(1) Commodity derivatives designated as cash flow hedges primarily relate to forwards or other type of derivative contract for sale/purchase of electricity and gas EP ENERGY TRADING, a.s. hedges 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.

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

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>
	<b>Notional amount buy</b>	<b>Notional amount sell</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>Hedging: of which</b>	1,117	(1,669)	228	(722)
Interest rate swaps cash flow hedge	24	(27)	-	(3)
Commodity derivatives cash flow hedge	978	(1,521)	228	(716)
Currency forwards cash flow hedge	115	(121)	-	(3)
<b>Non-hedging: of which</b>	1,783	(1,830)	6	(134)
Interest rate swaps reported as trading	1,710	(1,760)	-	(130)
Commodity derivatives reported as trading	12	(12)	4	(4)
Currency forwards reported as trading	61	(58)	2	-
<b>Total</b>	<b>2,900</b>	<b>(3,499)</b>	<b>234</b>	<b>(856)</b>

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>
	<b>Notional amount buy</b>	<b>Notional amount sell</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>Hedging: of which</b>	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)
<b>Non-hedging: of which</b>	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	-
<b>Total</b>	<b>4,194</b>	<b>(4,259)</b>	<b>25</b>	<b>(231)</b>

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 32 – 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).

31 December 2021				
<i>In millions of EUR</i>	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging:</b> of which	-	228	-	228
<i>Commodity derivatives cash flow hedge</i>	-	228	-	228
<b>Non-hedging:</b> of which	-	6	-	6
<i>Currency forwards reported as trading</i>	-	2	-	2
<i>Commodity derivatives reported as trading</i>	-	4	-	4
<b>Equity instruments at fair value through OCI:</b> of which	-	-	15	15
<i>Shares and interim certificates at fair value through OCI</i>	-	-	15	15
<b>Total</b>	-	234	15	249
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging:</b> of which	-	722	-	722
<i>Interest rate swaps cash flow hedge</i>	-	3	-	3
<i>Commodity derivatives cash flow hedge</i>	-	716	-	716
<i>Currency forwards cash flow hedge</i>	-	3	-	3
<b>Non-hedging:</b> of which	-	134	-	134
<i>Interest rate swaps reported as trading</i>	-	130	-	130
<i>Commodity derivatives reported as trading</i>	-	4	-	4
<b>Total</b>	-	856	-	856
31 December 2020				
<i>In millions of EUR</i>	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging:</b> of which	-	24	-	24
<i>Commodity derivatives cash flow hedge</i>	-	24	-	24
<b>Non-hedging:</b> of which	-	1	-	1
<i>Currency forwards reported as trading</i>	-	1	-	1
<b>Equity instruments at fair value through OCI:</b> of which	-	-	13	13
<i>Shares and interim certificates at fair value through OCI</i>	-	-	13	13
<b>Total</b>	-	25	13	38
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging:</b> of which	-	88	-	88
<i>Interest rate swaps cash flow hedge</i>	-	63	-	63
<i>Commodity derivatives cash flow hedge</i>	-	24	-	24
<i>Currency forwards cash flow hedge</i>	-	1	-	1
<b>Non-hedging:</b> of which	-	143	-	143
<i>Interest rate swaps reported as trading</i>	-	143	-	143
<i>Commodity derivatives reported as trading</i>	-	-	-	-
<b>Total</b>	-	231	-	231

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

*In millions of EUR*

	Carrying value 31 December 2021	Fair value 31 December 2021
<b>Financial assets</b>		
Loans to other than credit institutions	32	32
<b>Financial instruments held at amortised costs*</b>	<b>32</b>	<b>32</b>

**Financial liabilities**

<b>Loans and borrowings</b>	<b>4,141</b>	<b>4,267</b>
-----------------------------	--------------	--------------

*In millions of EUR*

	Carrying value 31 December 2020	Fair value 31 December 2020
<b>Financial assets</b>		
Loans to other than credit institutions	38	38
<b>Financial instruments held at amortised costs*</b>	<b>38</b>	<b>38</b>

**Financial liabilities**

<b>Loans and borrowings</b>	<b>4,542</b>	<b>4,606</b>
-----------------------------	--------------	--------------

\* 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 2021 the Group is contractually obliged to forward purchase 3,014,000 pieces (2020: 2,007,822 pieces) of emission rights at an average price 61.16 EUR/piece (2020: 25.01 EUR/piece) with delivery in 2022 and 2023.

## 29. Trade payables and other liabilities

*In millions of EUR*

	31 December 2021	31 December 2020
Trade payables	156	135
Payroll liabilities	47	45
Estimated payables	56	38
Uninvoiced supplies	31	27
Other tax liabilities	16	9
Accrued expenses	1	3
Advance payments received	1	2
Liabilities to partners and associations	1	1
Other liabilities	76	64
<b>Total</b>	<b>385</b>	<b>324</b>
<i>Non-current</i>	3	4
<i>Current</i>	382	320
<b>Total</b>	<b>385</b>	<b>324</b>

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

As at 31 December 2021 and 2020 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

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Commitments	726	373
Other granted guarantees and warranties	19	12
<b>Total</b>	<b>745</b>	<b>385</b>

#### Commitments

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 615 million (2020: EUR 273 million), where physical delivery of the energy will be realised in future, majority of which in 2022. Contracts for purchase of non-current assets of EUR 17 million (2020: EUR 21 million) are recognised by SSE Group, EUR 25 million (2020: EUR 40 million) recognised by eustream. EUR 29 million recorded by SSD relating to the amount of an expected compensation from the regulator, which shall cover an insufficient compensation of power distribution losses in 2021. According to the relevant legislation, the compensation shall be received in 2023. Remaining EUR 40 million (2020: EUR 39 million) arise from different type of service contracts.

#### Off balance sheet asset

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Received promises	1,440	1,233
Other received guarantees and warranties	260	133
<b>Total</b>	<b>1,700</b>	<b>1,366</b>

#### Received promises

Received promises mainly comprise the loan commitments received by the various companies within the Group in amount of EUR 853 million (2020: EUR 884 million). Contracts for the future sale of energy in amount of EUR 587 million (2020: EUR 349 million).

#### Other received guarantees and warranties

Other received guarantees and warranties mainly consist of guarantees received from parent company of the customer to secure trade receivables in the amount of EUR 100 million (2020: EUR 112 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and guarantees received from banks of EUR 160 million (2020: EUR 21 million) recognised by NAFTA a.s.

### 31. Leases

#### (a) Leases as a lessee

The Group leases namely 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*

	<b>Land and building</b>	<b>Technical equipment, plant and machinery</b>	<b>Total</b>
<b>Balance at 1 January 2021</b>	<b>27</b>	<b>30</b>	<b>57</b>
Depreciation charge for the year	(5)	(9)	(14)
Additions to right-of-use assets	10	6	16
Effects of movements in foreign exchange rate	-	1	1
<b>Balance at 31 December 2021</b>	<b>32</b>	<b>28</b>	<b>60</b>

<b>Balance at 1 January 2020</b>	<b>37</b>	<b>36</b>	<b>73</b>
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)
<b>Balance at 31 December 2020</b>	<b>27</b>	<b>30</b>	<b>57</b>

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

*In millions of EUR*

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Undiscounted contractual cash flows by maturity</b>		
Up to 3 months	1	3
3 months to 1 year	11	9
1–5 years	41	32
Over 5 years	10	17
<b>Total undiscounted contractual cash flows</b>	<b>63</b>	<b>61</b>
<b>Carrying amount</b>	<b>62</b>	<b>58</b>

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

*In millions of EUR*

	<b>2021</b>	<b>2020</b>
Depreciation charge for the year	(14)	(13)
Interest on lease liabilities	(1)	(2)
Expenses related to short-term leases	(2)	(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)

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

*In millions of EUR*

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	(14)	(14)

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

##### **Operating leases**

During the year ended 31 December 2021, no income (2020: 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 risks. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate, commodity price risk, foreign exchange risk 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 2021

*In millions of EUR*

	Corporate (non- financial institutions)	State, government	Banks	Individuals	Other	Total
<b>Assets</b>						
Cash and cash equivalents	-	-	501	-	-	501
Restricted cash	-	-	2	-	-	2
Contract assets	36	-	-	-	-	36
Trade receivables and other assets	340	108	2	-	18	468
Financial instruments and other financial assets	279	-	2	-	-	281
<b>Total</b>	<b>655</b>	<b>108</b>	<b>507</b>	<b>-</b>	<b>18</b>	<b>1,288</b>

### As at 31 December 2020

*In millions of EUR*

	Corporate (non- financial institutions)	State, government	Banks	Individuals	Other	Total
<b>Assets</b>						
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
<b>Total</b>	<b>352</b>	<b>91</b>	<b>725</b>	<b>-</b>	<b>35</b>	<b>1,203</b>

## Credit risk by location of debtor

### As at 31 December 2021

<i>In millions of EUR</i>	<b>Slovakia</b>	<b>Czech Republic</b>	<b>United Kingdom</b>	<b>Netherlands</b>	<b>Germany</b>	<b>Hungary</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	254	216	-	5	24	1	1	<b>501</b>
Restricted cash	-	2	-	-	-	-	-	<b>2</b>
Contract assets	23	13	-	-	-	-	-	<b>36</b>
Trade receivables and other assets	201	211	2	-	7	3	44	<b>468</b>
Financial instruments and other financial assets	2	245	-	-	-	27	7	<b>281</b>
<b>Total</b>	<b>480</b>	<b>687</b>	<b>2</b>	<b>5</b>	<b>31</b>	<b>31</b>	<b>52</b>	<b>1,288</b>

### As at 31 December 2020

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

**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 are included in Stage I or POCI. Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), respectively credit impaired assets (Stage III).

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. For more 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.

<i>In millions of EUR</i>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at 1 January 2021</b>	-	(6)	(23)	-	(29)
Impairment losses recognised during the year	(6)	(1)	(12)	-	(19)
Reversal of impairment losses recognised during the year	-	-	2	-	2
Write-offs	-	-	2	-	2
Effects of movements in foreign exchange rate	(1)	-	-	-	(1)
<b>Balance at 31 December 2021</b>	<b>(7)</b>	<b>(7)</b>	<b>(31)</b>	<b>-</b>	<b>(45)</b>

<i>In millions of EUR</i>	<b>12-month ECL</b>	<b>Lifetime ECL not credit- impaired</b>	<b>Lifetime ECL credit- impaired</b>	<b>Purchased credit- impaired</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	-	(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
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>(6)</b>	<b>(23)</b>	<b>-</b>	<b>(29)</b>

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 2021 and 2020 were as follows:

<i>In millions of EUR</i>	<b>Loans to other than credit institutions</b>	<b>Contract assets</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2021</b>	<b>(6)</b>	<b>-</b>	<b>(23)</b>	<b>(29)</b>
Impairment losses recognised during the year	(7)	-	(12)	(19)
Reversals of impairment losses recognised during the year	-	-	2	2
Write-offs	-	-	2	2
Effects of movements in foreign exchange rate	(1)	-	-	(1)
<b>Balance at 31 December 2021</b>	<b>(14)</b>	<b>-</b>	<b>(31)</b>	<b>(45)</b>

<i>In millions of EUR</i>	<b>Loans to other than credit institutions</b>	<b>Contract assets</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>(6)</b>	<b>-</b>	<b>(20)</b>	<b>(26)</b>
Impairment losses recognised during the year	-	-	(7)	(7)
Change due to outgoing entities	-	-	1	1
Reversals of impairment losses recognised during the year	-	-	2	2
Write-offs	-	-	1	1
<b>Balance at 31 December 2020</b>	<b>(6)</b>	<b>-</b>	<b>(23)</b>	<b>(29)</b>

#### Credit risk – impairment of financial assets

As at 31 December 2021

<i>In millions of EUR</i>	<b>Contract assets</b>	<b>Loans to other than credit institutions</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	36	32	442	<b>510</b>
After maturity (net)	-	-	26	<b>26</b>
<b>Total</b>	<b>36</b>	<b>32</b>	<b>468</b>	<b>536</b>
A – Assets (gross)				
- before maturity	36	46	447	<b>529</b>
- after maturity <30 days	-	-	25	<b>25</b>
- after maturity 31–180 days	-	-	5	<b>5</b>
- after maturity 181–365 days	-	-	7	<b>7</b>
- after maturity >365 days	-	-	15	<b>15</b>
<b>Total assets (gross)</b>	<b>36</b>	<b>46</b>	<b>499</b>	<b>581</b>
B – Loss allowances for assets				
- before maturity	-	(14)	(5)	<b>(19)</b>
- after maturity 31–180 days	-	-	(4)	<b>(4)</b>
- after maturity 181–365 days	-	-	(7)	<b>(7)</b>
- after maturity >365 days	-	-	(15)	<b>(15)</b>
<b>Total loss allowances</b>	<b>-</b>	<b>(14)</b>	<b>(31)</b>	<b>(45)</b>
<b>Total assets (net)</b>	<b>36</b>	<b>32</b>	<b>468</b>	<b>536</b>

**Credit risk – impairment of financial assets****As at 31 December 2020***In millions of EUR*

	<b>Contract assets</b>	<b>Loans to other than credit institutions</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	54	37	355	<b>446</b>
After maturity (net)	-	-	6	<b>6</b>
<b>Total</b>	<b>54</b>	<b>37</b>	<b>361</b>	<b>452</b>
<b>A – Assets (gross)</b>				
- before maturity	54	44	360	<b>458</b>
- after maturity <30 days	-	-	3	<b>3</b>
- after maturity 31–180 days	-	-	3	<b>3</b>
- after maturity 181–365 days	-	-	2	<b>2</b>
- after maturity >365 days	-	-	15	<b>15</b>
<b>Total assets (gross)</b>	<b>54</b>	<b>44</b>	<b>383</b>	<b>481</b>
<b>B – Loss allowances for assets</b>				
- before maturity	-	(7)	(5)	<b>(12)</b>
- after maturity <30 days	-	-	-	<b>-</b>
- after maturity 31–180 days	-	-	(1)	<b>(1)</b>
- after maturity 181–365 days	-	-	(1)	<b>(1)</b>
- after maturity >365 days	-	-	(15)	<b>(15)</b>
<b>Total loss allowances</b>	<b>-</b>	<b>(7)</b>	<b>(22)</b>	<b>(29)</b>
<b>Total assets (net)</b>	<b>54</b>	<b>37</b>	<b>361</b>	<b>452</b>

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

Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on historical provision matrix. Probability of default is taken from a historical provision matrix (set up separately by each component) with element of forward-looking information (the group incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was not significant as at 31 December 2021.

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

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting 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 2021

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<sup>(2)</sup> 4,141	4,340	43	40	2,081	2,176
Trade payables and other liabilities	<sup>(3)</sup> 384	384	332	50	2	-
Financial instruments and financial liabilities	856	856	135	448	273	-
<b>Total</b>	<b>5,381</b>	<b>5,580</b>	<b>510</b>	<b>538</b>	<b>2,356</b>	<b>2,176</b>
<b>Net liquidity risk position</b>	<b>(4,209)</b>	<b>(4,408)</b>	<b>374</b>	<b>(306)</b>	<b>(2,303)</b>	<b>(2,174)</b>

\* Contract liabilities in amount of EUR 156 million are not shown in the table above as these items are not expected to cause any future cash outflow.

(1) Contractual cash flows 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 853 million.

(3) Advances received in amount of EUR 1 million are excluded from the carrying amount as these items will cause no future cash outflow.

### As at 31 December 2020

In millions of EUR

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

\* Contract liabilities in amount of EUR 185 million are not shown in the table above as these items are not expected to cause any future cash outflow.

(1) Contractual cash flows 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.

**(c) Interest rate risk**

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

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

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

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2021 is as follows:

<i>In millions of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	501	-	-	-	501
Restricted cash	2	-	-	-	2
Trade receivables and other assets	2	-	2	464	468
Financial instruments and other financial assets <sup>(1)</sup>	-	33	-	248	281
<b>Total</b>	<b>505</b>	<b>33</b>	<b>2</b>	<b>712</b>	<b>1,252</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(2)</sup>	228	1,901	2,012	-	4,141
Trade payables and other liabilities	4	-	-	381	385
Financial instruments and financial liabilities <sup>(1)</sup>	42	-	-	814	856
<b>Total</b>	<b>274</b>	<b>1,901</b>	<b>2,012</b>	<b>1,195</b>	<b>5,382</b>
<b>Net interest rate risk position</b>	<b>231</b>	<b>(1,868)</b>	<b>(2,010)</b>	<b>(483)</b>	<b>(4,130)</b>
Effect of interest rate swaps	1,830	(270)	(1,560)	-	-
<b>Net interest rate risk position (incl. IRS)</b>	<b>2,061</b>	<b>(2,138)</b>	<b>(3,570)</b>	<b>(483)</b>	<b>(4,130)</b>

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 28 – Financial instruments.

Interest rate risk exposure as at 31 December 2020 was as follows:

*In millions of EUR*

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
<b>Assets</b>					
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 <sup>(1)</sup>	2	35	-	39	76
<b>Total</b>	<b>715</b>	<b>36</b>	<b>2</b>	<b>396</b>	<b>1,149</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(2)</sup>	1,562	529	2,425	26	4,542
Trade payables and other liabilities	4	-	-	320	324
Financial instruments and financial liabilities <sup>(1)</sup>	71	-	-	160	231
<b>Total</b>	<b>1,637</b>	<b>529</b>	<b>2,425</b>	<b>506</b>	<b>5,097</b>
<b>Net interest rate risk position</b>	<b>(922)</b>	<b>(493)</b>	<b>(2,423)</b>	<b>(110)</b>	<b>(3,948)</b>
Effect of interest rate swaps	2,330	(790)	(1,540)	-	-
<b>Net interest rate risk position (incl. IRS)</b>	<b>1,408</b>	<b>(1,283)</b>	<b>(3,963)</b>	<b>(110)</b>	<b>(3,948)</b>

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 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*

	2021 Profit (loss)	2020 Profit (loss)
Decrease in interest rates by 1%	(18)	(18)
Increase in interest rates by 1%	19	17

**(d) Foreign exchange risk**

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

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

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 2021 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured (e.g. Czech entities holding EURs or Slovak entities holding CZKs). Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

<i>In millions of EUR</i>	<b>CZK</b>	<b>EUR</b>	<b>HUF</b>
<b>Assets</b>			
Cash and cash equivalents	-	127	-
Trade receivables and other assets	-	115	-
Financial instruments and other financial assets	-	2,042	-
	-	<b>2,284</b>	-
<b>Off balance sheet assets</b>			
Receivables from derivative operations	-	115	-
	-	<b>115</b>	-
<b>Liabilities</b>			
Loans and borrowings	-	2,570	-
Trade payables and other liabilities	-	71	-
Financial instruments and financial liabilities	-	329	-
	-	<b>2,970</b>	-
<b>Off balance sheet liabilities</b>			
Payables related to derivative operations	-	138	-
	-	<b>138</b>	-
<b>Net FX risk position</b>	-	<b>(686)</b>	-
Effect of forward exchange contracts	-	<b>(22)</b>	-
Effect of cash flow hedge of FX risk <sup>(1)</sup>	-	<b>440</b>	-
<b>Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)</b>	-	<b>(268)</b>	-

(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 2020 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

<i>In millions of EUR</i>	<b>CZK</b>	<b>EUR</b>	<b>HUF</b>
<b>Assets</b>			
Cash and cash equivalents	-	144	-
Trade receivables and other assets	-	205	-
Financial instruments and other financial assets	-	1,792	-
	<b>-</b>	<b>2,141</b>	<b>-</b>
<b>Off balance sheet assets</b>			
Receivables from derivative operations	-	186	13
	<b>-</b>	<b>186</b>	<b>13</b>
<b>Liabilities</b>			
Loans and borrowings	-	2,702	-
Trade payables and other liabilities	-	59	-
Financial instruments and financial liabilities	-	68	-
	<b>-</b>	<b>2,829</b>	<b>-</b>
<b>Off balance sheet liabilities</b>			
Payables related to derivative operations	-	219	-
	<b>-</b>	<b>219</b>	<b>-</b>
<b>Net FX risk position</b>	<b>-</b>	<b>(688)</b>	<b>-</b>
Effect of forward exchange contracts	-	(33)	13
Effect of cash flow hedge of FX risk <sup>(1)</sup>	-	440	-
<b>Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)</b>	<b>-</b>	<b>(281)</b>	<b>13</b>

(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:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
<b>CZK</b>	<b>Average rate</b>	<b>Reporting date spot rate</b>	<b>Average rate</b>	<b>Reporting date spot rate</b>
EUR 1	25.645	24.860	26.444	26.245

**Sensitivity analysis**

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

<i>Effect in millions of EUR</i>	<b>2021</b>	<b>2020</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
EUR (5% strengthening of CZK)	34	117
<i>Effect in millions of EUR</i>	<b>2021</b>	<b>2020</b>
	<b>Other comprehensive income</b>	<b>Other comprehensive income</b>
EUR (5% strengthening of CZK)	-	-

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 price of the natural gas would have impact on the fair value of cash flow hedging derivatives of EUR 33 million (2020: EUR 8 million).

A 5% change in the market price of the electricity would have impact on the fair value of cash flow hedging derivatives of negative EUR 5 million (2020: negative EUR 4 million).

A 5% change in the market price of the electricity would have no impact on the fair value of trading derivatives in 2021 and 2020.

**(f) Regulatory risk**

The Group is exposed to risks resulting from the state regulation of electricity and gas industries by the states in which it undertakes business activities. Changes to existing regulations or the adoption of other new regulations may have an adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

Electricity industry price regulation is regulated by the Slovak Regulatory Office for Network Industries' ("RONI") Decree No. 18/2017 Coll., on determining price regulation in the electric power industry and certain conditions of regulated activities in the electric power industry (electricity price decree) containing the price regulation for electricity distribution and electricity supply.

Maximum price for access to the distribution network and electricity distribution is determined separately for each voltage level (low, medium and high) and calculated for the respective voltage level as a weighted average of specified tariffs. The maximum price for access to the distribution network and electricity distribution for a given voltage level reflects electricity distribution and electricity transmission, including losses incurred during electricity transmission, and is denominated in euro per unit of electricity distributed to end consumers in the relevant year. It is calculated using a formula set by the electricity price decree, which also lays down a specific formula for the calculation of the allowed profit variable.

Electricity prices for households and small enterprises are regulated providing for a capped profit margin per MWh. The sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts. Such contracts usually determine the price for the supply of the commodity. For small enterprises and households, composite electricity supply contracts define the products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity as a supplier of electricity. The RONI sets a maximum margin per MWh to be charged by the supplier.

Slovak law provides for the designation of a supplier of last resort in the electricity sector. Such a supplier of last resort is the electricity supplier which must supply electricity to a customer whose original electricity supplier has lost its electricity supply licence or otherwise its right to supply electricity in the Slovak Republic. It is generally the electricity supply licence holder which is part of the vertically integrated undertaking to which the respective distribution licence holder also belongs. The supply of electricity by the supplier of last resort is subject to price regulation.

Gas price regulation is regulated by the RONI's Decree No. 223/2016 Coll., on determining price regulation in the gas industry, as amended (gas price decree) containing the price regulation for gas transmission, gas distribution and gas supply.

The RONI regulates the tariffs for access to the gas distribution network and for gas distribution by determination of the method of calculation of the maximum tariff for access to the gas distribution network and for gas distribution. The distribution tariff is calculated in accordance with the formula determined by the RONI. The regulated prices for access to the distribution system and gas distribution are charged by the gas DSO to gas suppliers who then pass the prices to their end-customers. The gas suppliers are required to secure their payments by bank guarantees or cash collaterals.

The current regulatory period in respect of both gas and power distribution started on 1 January 2017 and will end on 31 December 2022 (as a result of exceptional one-year prolongation by an amendment to the regulatory policy).

Eustream, an operator of a large-scale high-pressure gas transmission system in the Slovak Republic, is obliged to regularly submit to, and obtain approval from RONI of its tariff structure proposals in respect of the relevant regulatory (tariff) period. The current regulatory and tariff period started on 1 January 2017 and will end on 31 December 2022 (because of exceptional one-year prolongation by an amendment to the regulatory policy). In 2017, the European Commission adopted Regulation 2017/460 establishing a network code on harmonised transmission tariff structures for gas setting out the rules for harmonised gas transmission tariff structures fully applicable as from 31 May 2019. On 29 May 2019, RONI issued a new price decision implementing the rules of the network code on harmonised transmission tariff. Tariffs calculated according to this price decision (for entry/exit points with EU Member States) will start to be applicable in the Slovak Republic as from 1 January 2022, despite the fact that due to the prolongation of the current regulatory period, the new regulatory period will generally commence on 1 January 2023.

Transmission tariffs in the Slovak Republic for the current regulatory period are set directly by RONI and are based purely on direct comparison of tariffs (also known as benchmarking) with other TSOs, primarily competitors across Europe and are directly set by RONI and are not directly impacted by natural gas prices or other elements (except for EU inflation rate). Starting from 2022 benchmarking of tariffs will remain to be used as the secondary adjustment of the reference prices calculated on the cost base principles.

The Czech Energy Regulatory Office (“ERO”) issues pricing decisions that set forth mandatory guidelines applicable to the calculation of heat prices. These rates are comprised of (i) the economically justified costs necessary for production and distribution of heat, (ii) appropriate profit, and (iii) VAT. Furthermore, the ERO sets the limit price for heat which allows the Company’s subsidiaries to set their own heat price on the condition that it is lower than the limit price and follows the calculation principles. Nevertheless, the ERO also has the right to review retroactively the operations of a heat producer for the previous 5 years with respect to the heat price setting mechanism applied by that particular entity. If the entity is not able to fully to support the pricing mechanism applied, ERO can impose significant penalties which might have a material adverse effect on the Group’s business, financial condition, results of operations, cash flows and prospects. The fact that the price of heat is not set by the ERO as a fixed amount per unit, gives rise to a degree of uncertainty on the part of the operator as there is the possibility that the calculation it carried out will be assessed as incorrect by the ERO. However, ERO provided guidance on setting appropriate profit in the price decree issued in September 2021. The appropriate profit is defined as 6.5% of historical cost of fixed assets adjusted for cumulative inflation.

As regards electricity produced by cogeneration plants, the ERO also stipulates the amount of subsidy for electricity from high-efficiency cogeneration sources in its price decision in the form of a green bonus granted on an annual basis, which is set per MWh and granted on an annual or hourly basis. and divided into four levels (CZK 45 per MWh, CZK 60 per MWh, CZK 140 per MWh and CZK 200 per MWh), depending on the efficiency of the cogeneration production of the plant. The price decision distinguishes between a basic tariff (which applies to cogeneration plants in general) and additional tariff (which applies only to some of them). The respective tariff is set in the price decision in CZK per MWh and has different levels depending on the size of the plant, overall time of its use during a year and the fuel it uses. It is common that the ERO issues the price decision annually, in the autumn for the coming calendar year.

An amendment in respect of the Czech Promoted Energy Sources Act was approved in September 2021. The amendment introduces, among others, a (i) system of auctions where producers would compete for operating subsidies on renewable power and power from cogeneration and (ii) a so-called transformational heat support through which heat plant operators would be eligible for financial compensation of the price paid for emission allowances if the heat plant operator commits to phase out coal by 31 December 2030. Implementation of the transformational heat support nevertheless requires prior state aid approval from the European Commission.

**(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.

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Proportionate Gross Debt*	3,240	3,524
Less: Proportionate cash and cash equivalents*	<u>316</u>	<u>436</u>
<b>Proportionate net debt</b>	<b><u>2,924</u></b>	<b><u>3,088</u></b>
Proportionate EBITDA*	<u>687</u>	<u>880</u>
<b>Proportionate net debt to proportionate EBITDA*</b>	<b><u>4.25</u></b>	<b><u>3.51</u></b>

\* 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 from disposal of BERT and Pražská teplárenská, a.s. and their subsidiaries

The Group also monitors its debt to adjusted capital ratio. At the

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Total liabilities	7,794	7,590
Less: cash and cash equivalents	<u>501</u>	<u>709</u>
<b>Net debt</b>	<b><u>7,293</u></b>	<b><u>6,881</u></b>
Total equity attributable to the equity holders	1,042	1,069
Less: Other capital reserves related to common control transactions	(4,526)	(4,526)
Less: amounts accumulated in equity relating to cash flow hedges	<u>(321)</u>	<u>(102)</u>
<b>Adjusted capital</b>	<b><u>5,889</u></b>	<b><u>5,697</u></b>
<b>Debt to adjusted capital</b>	<b><u>1.24</u></b>	<b><u>1.21</u></b>

#### (i) Hedge accounting

The balance as at 31 December 2021 represents primarily derivative agreements to hedge an interest rate, an electricity price, 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 139 million (negative impact on profit or loss) including non-controlling interest from hedging reserves to profit or loss (2020: EUR 73 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:

<i>In millions of EUR</i>	<b>Commodity derivatives – cash flow hedge<sup>(1)</sup></b>	<b>Interest rate swaps – cash flow hedge</b>	<b>Total</b>
<b>Balance at 1 January 2021</b>	<b>1</b>	<b>(112)</b>	<b>(111)</b>
Cash flow hedges reclassified to profit or loss	29	22	51
Deferred tax – cash flow hedges reclassified to profit or loss	(7)	(5)	(12)
Revaluation of cash flow hedges	(328)	1	(327)
Deferred tax – cash flow hedges revaluation	69	-	69
<b>Balance at 31 December 2021</b>	<b>(236)</b>	<b>(94)</b>	<b>(330)</b>

(1) Including also hedge for foreign currency risk

<i>In millions of EUR</i>	<b>Commodity derivatives – cash flow hedge<sup>(1)</sup></b>	<b>Interest rate swaps – cash flow hedge</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>(2)</b>	<b>(98)</b>	<b>(100)</b>
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)
<b>Balance at 31 December 2020</b>	<b>1</b>	<b>(112)</b>	<b>(111)</b>

(1) Including also hedge for foreign currency risk

*Cash flow hedges – hedge of foreign currency risk and commodity price risk of revenues of power production with financial derivatives*

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to or commodities purchased from the third parties. This includes commodity derivatives with net settlement for commodity risk. As a result of the hedge relationship on the Group level, the Group recorded a change in a foreign currency cash flow hedge reserve of negative EUR 53 million (2020: negative EUR 14 million). The Group derecognized foreign currency cash flow hedge reserve of EUR 10 million as a result of the disposed entities in 2020. 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 185 million (2020: negative EUR 2 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 2021 and 2020:

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	2	129	125	199
3 months to 1 year	202	437	741	1,071
1–5 years	24	150	112	251
Over 5 years	-	-	-	-
<b>Total</b>	<b>228</b>	<b>716</b>	<b>978</b>	<b>1,521</b>

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
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
<b>Total</b>	<b>23</b>	<b>24</b>	<b>367</b>	<b>366</b>

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

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	-	1	44	46
3 months to 1 year	-	2	57	60
1–5 years	-	-	14	15
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3</b>	<b>115</b>	<b>121</b>

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	-	-	12	13
3 months to 1 year	-	1	42	42
1–5 years	-	-	22	22
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>76</b>	<b>77</b>

#### *Cash flow hedges – hedge of interest rate risk*

The Group applies hedge accounting for hedging instruments designed to hedge interest rate risk of its debt financing. The hedging instruments are interest rate swaps used in order to hedge risk related to repricing

of interest rates on its financing. As a result of the hedge relationship on the Group level, the Group recorded a change in interest rate cash flow hedge reserve of positive EUR 19 million (2020: negative EUR 4 million). For risk management policies, refer to Note 32 (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 2021 and 2020:

<i>In millions of EUR</i>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>	<b>31 December 2021</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
Up to 3 months	-	-	2	2
3 months to 1 year	-	1	6	6
1–5 years	-	3	16	18
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4</b>	<b>24</b>	<b>26</b>

<i>In millions of EUR</i>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>	<b>31 December 2020</b>
	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Nominal amount hedged (buy)</b>	<b>Nominal amount hedged (sell)</b>
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	-	-	-	-
<b>Total</b>	<b>-</b>	<b>63</b>	<b>1,572</b>	<b>1,577</b>

### 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 2021 and 31 December 2020 was as follows:**

*In millions of EUR*

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Ultimate shareholder <sup>(1)</sup>	-	-	-	-
Companies controlled by ultimate shareholders	332	291	40	39
Companies under significant influence by ultimate shareholders	2	2	3	16
Associates	4	-	8	-
Other Related party	-	-	-	-
<b>Total</b>	<b>338</b>	<b>293</b>	<b>51</b>	<b>55</b>

(1) *Daniel Křetínský represents the ultimate shareholder*

**(b) The summary of transactions with related parties during the period ended 31 December 2021 and 2020 was as follows:**

*In millions of EUR*

	Revenues	Expenses	Revenues	Expenses
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Ultimate shareholder <sup>(1)</sup>	-	-	-	-
Companies controlled by ultimate shareholders	267	125	52	118
Companies under significant influence by ultimate shareholders	19	2	26	127
Associates	-	-	-	-
Other Related party	-	-	-	-
<b>Total</b>	<b>286</b>	<b>127</b>	<b>78</b>	<b>245</b>

(1) *Daniel Křetínský represents the ultimate shareholder*

### Transactions with the key management personnel

For the financial years ended 31 December 2021 and 2020 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:

<i>In millions of EUR</i>	<b>2021</b>	<b>2020</b>
Nr. of personnel	67	66
Compensation, fees and rewards	4	4
Compulsory social security contributions	1	1
<b>Total</b>	<b>5</b>	<b>5</b>

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses. All transactions were performed under the arm's length principle.

### 34. Group entities

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

			31 December 2021		31 December 2020		2021	2020
	Country of incorporation	Segment	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
EP Infrastructure, a.s. *	Czech Republic	Holding entities						
EP Energy, a.s. *	Czech Republic	Holding entities	100	Direct	100	Direct	Consolidated	Consolidated
AISE, s.r.o.	Czech Republic	Other	80	Direct	80	Direct	Consolidated	Consolidated
PT měření, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
Střelnická reality s.r.o. <sup>(5)</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
Malešice Reality s.r.o. <sup>(5)</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
Zálesí Reality s.r.o. <sup>(5)</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
EPRE Reality s.r.o. <sup>(5)</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
Power Reality s.r.o. <sup>(5)</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
Lirostana s.r.o. <sup>(1)</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
PT Holding Investment B.V. <sup>(6)</sup>	Netherlands	Heat Infra	-	-	100	Direct	-	Consolidated
Pražská teplárenská Holding a.s. v likvidaci <sup>(2)*</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	At cost
NPTH, a.s. v likvidaci <sup>(2)*</sup>	Czech Republic	Heat Infra	-	-	100	Direct	-	At cost
United Energy, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
EVO - Komořany, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
Severočeská teplárenská, a.s.	Czech Republic	Heat Infra	-	-	100	Direct	-	Consolidated
United Energy Moldova, s.r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
United Energy Invest, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
GABIT spol. s r.o.	Czech Republic	Heat Infra	-	-	100	Direct	-	At cost
Nadační fond pro rozvoj vzdělávání	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
EP ENERGY TRADING, a.s.	Czech Republic	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
Dobrá Energie s.r.o.	Czech Republic	Gas and power distribution	100	Direct	-	-	Consolidated	-
Elektrárny Opatovice, a.s. (VTE Moldava II, a.s.) <sup>(7)</sup>	Czech Republic	Other	100	Direct	100	Direct	Consolidated	Consolidated
MR TRUST s.r.o.*	Czech Republic	Other	100	Direct	100	Direct	Consolidated	Consolidated
ARISUN, s.r.o.	Slovakia	Other	100	Direct	100	Direct	Consolidated	Consolidated
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	Consolidated	Consolidated
Triskata, s.r.o.	Slovakia	Other	100	Direct	100	Direct	Consolidated	Consolidated
VTE Pchery, s.r.o.	Czech Republic	Other	100	Direct	100	Direct	Consolidated	Consolidated
Alternative Energy, s.r.o. <sup>(2)</sup>	Slovakia	Other	90	Direct	90	Direct	Consolidated	Consolidated
CHIFFON ENTERPRISES LIMITED *	Cyprus	Other	100	Direct	100	Direct	At cost	At cost
Severočeská teplárenská, a.s. <sup>(3)</sup>	Czech Republic	Heat Infra	100	Direct	-	-	Consolidated	-
GABIT spol. s r.o. <sup>(3)</sup>	Czech Republic	Heat Infra	100	Direct	-	-	At cost	-
Industrial Park Opatovice s.r.o. (TreatDream s.r.o.)	Czech Republic	Holding entities	100	Direct	-	-	At cost	-
Mirtheaven a.s.	Czech Republic	Holding entities	100	Direct	-	-	At cost	-
EOP Distribuce, a.s. (Elektrárny Opatovice, a.s.) <sup>(7)</sup>	Czech Republic	Heat infra	100	Direct	100	Direct	Consolidated	Consolidated
V A H O s.r.o.	Czech Republic	Heat infra	100	Direct	100	Direct	At cost	At cost
Farma Lístek, s.r.o.	Czech Republic	Heat infra	100	Direct	100	Direct	At cost	At cost

	Country of incorporation	Segment	31 December 2021		31 December 2020		2021	2020
			Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
Stredoslovenská energetika Holding, a.s.	Slovakia	Gas and power distribution	49	Direct	49	Direct	Consolidated	Consolidated
Kinet s.r.o.	Slovakia	Gas and power distribution	80	Direct	80	Direct	Consolidated	Consolidated
Kinet Inštal s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská distribučná, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
Elektroenergetické montáže, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
SSE - Metrológia s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika - Project Development, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
SSE-Solar, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
SPX, s.r.o.	Slovakia	Gas and power distribution	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Czech Republic	Gas and power distribution	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
SPV100, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	At cost
SSE - MVE, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
EP ENERGY HR d.o.o.	Croatia	Other	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consolidated	Consolidated
Patamon a.s.	Czech Republic	Holding entities	100	Direct	100	Direct	At cost	At cost
Plzeňská teplárenská, a.s.	Czech Republic	Heat Infra	35	Direct	35	Direct	Consolidated	Consolidated
Plzeňská teplárenská SERVIS IN a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
Plzeňské služby s.r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
PPT POTRUBNÍ TECHNIKA s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	At cost	-
TERMGLOBAL s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	At cost	-
TRAXELL s.r.o.	Czech Republic	Heat Infra	100	Direct	-	-	At cost	-
Claymore Equity, s.r.o. v likvidácii <sup>(4)*</sup>	Slovakia	Other	-	-	100	Direct	-	Consolidated
Czech Gas Holding Investment B.V.*	Netherlands	Holding entities	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA a.s.	Slovakia	Gas storage	40.45	Direct	40.45	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	Gas storage	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	Gas storage	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	Gas storage	10	Direct	10	Direct	Consolidated	Consolidated
Slovakian Horizon Energy, s.r.o.	Slovakia	Gas storage	50	Direct	50	Direct	Equity	Equity
Nafta Exploration d.o.o.	Croatia	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA International B.V. *	Netherlands	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V. <sup>(8)</sup>	Netherlands	Gas storage	100	Direct	50	Direct	At cost	Equity
CNG LLC	Ukraine	Gas storage	100	Direct	100	Direct	At cost	Equity
EPH Gas Holding B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consolidated	Consolidated
Seattle Holding B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consolidated	Consolidated
Slovak Gas Holding B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consolidated	Consolidated
SPP Infrastructure, a.s.	Slovakia	Holding entities	49	Direct	49	Direct	Consolidated	Consolidated
eustream, a.s.	Slovakia	Gas transmission	100	Direct	100	Direct	Consolidated	Consolidated
Central European Gas HUB AG	Austria	Gas transmission	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	Gas transmission	100	Direct	100	Direct	At cost	At cost
Plynárenská metrológia, s.r.o.	Slovakia	Holding entities	100	Direct	100	Direct	At cost	At cost

	Country of incorporation	Segment	31 December 2021		31 December 2020		2021	2020
			Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
SPP - distribúcia, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consolidated	Consolidated
SPP - distribúcia Servis, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	At cost	At cost
NAFTA a.s.	Slovakia	Gas storage	56.15	Direct	56.15	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	Gas storage	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	Gas storage	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	Gas storage	10	Direct	10	Direct	Consolidated	Consolidated
Slovakian Horizon Energy, s.r.o.	Slovakia	Gas storage	50	Direct	50	Direct	Equity	Equity
Nafta Exploration d.o.o.	Croatia	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA International B.V.*	Netherlands	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V. <sup>(8)</sup>	Netherlands	Gas storage	100	Direct	50	Direct	At cost	Equity
CNG LLC	Ukraine	Gas storage	100	Direct	100	Direct	At cost	Equity
GEOTERM KOŠICE, a.s.	Slovakia	Holding entities	95.82	Direct	95.82	Direct	Consolidated	Consolidated
SPP Storage, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Consolidated	Consolidated
POZAGAS a.s.	Slovakia	Gas storage	35	Direct	35	Direct	Consolidated	Consolidated
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	Consolidated	Consolidated
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	Consolidated	Consolidated

\* Holding entity

- (1) On 1 January 2021 Lirostana s.r.o. merged with EP Energy, a.s. EP Energy, a.s. is the successor company.
- (2) Companies Pražská teplárenská Holding a.s. v likvidaci and NPTH, a.s. v likvidaci were liquidated on 4 February 2021 and on 7 January 2021, respectively.
- (3) On 29 September 2021 the shares of Severočeská teplárenská, a.s. and GABIT spol. s r.o. were transferred to EP Energy, a.s. as part of an internal reorganization.
- (4) On 16 April 2021 Claymore Equity, s. r. o. v likvidácii was liquidated.
- (5) On 16 December 2021, the companies Střelničná reality s.r.o., Malešice Reality s.r.o., Zálesí Reality s.r.o., EPRE Reality s.r.o. and Power Reality s.r.o. were sold.
- (6) On 30 September 2021 PT Holding Investments B.V. was deconsolidated.
- (7) On 1 January 2022, Elektrárny Opatovice, a.s. were renamed to EOP Distribuce, a.s. and on 3 January 2022, VTE Moldava II, a.s. was renamed to Elektrárny Opatovice, a.s.
- (8) On 21 December 2021, NAFTA International B.V. acquired additional 50% shares of CNG Holdings Netherlands B.V. This transaction is not included in note acquisition because the acquisition have immaterial impact.

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. In March 2022, PLTEP and SI fully settled the dispute. Plzeňská teplárenská, a.s. reported as of 31 December 2021 an adequate provision for the dispute which will be used against payments under the settlement.

#### ***Waste incineration plant project and related bank guarantee***

PLTEP relationships with ČKD PRAHA DIZ, a.s., the former general supplier of the project ZEVO Plzeň (waste incineration plant, “ZEVO”), are primarily burdened by the year 2016 when PLTEP terminated a contract for work before the work itself was completed. In line with contractual documentation, PLTEP exercised a bank guarantee on completion of the work. ČKD PRAHA DIZ, a.s. has challenged this decision. ČKD PRAHA DIZ, a.s. declared bankruptcy in May 2019. The right to the alleged claims of ČKD Praha DIZ, a.s. against PLTEP has been transferred several times to third parties. The dispute has already been fully settled in February 2022. As of 31 December 2021, PLTEP maintained an adequate provision for the dispute which will be used against payments under the settlement.

### 36. Subsequent events

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

Based on the available information and the most recent developments, the Company has been analysing the situation on an ongoing basis, assessing its impacts on the Company and its subsidiaries. In particular, EPIF Group is exposed to, among others, an increased counterparty risk related to Russian gas flows even though the revenue is based on a ship-or-pay condition, and a potential major pressure on liquidity driven by the prolonged upward trend in commodity prices.

As EPIF Group is providing a service to which there is no alternative, it has taken a number of actions in order to preserve the position of EPIF Group and its key stakeholders. In particular, on 3rd March 2022 the Company made a public statement confirming that its overall Russian exposure was reduced already during 2021, while EPIF Group maintains its leverage below its target and its liquidity position has not been impaired. Further, on 10th March 2022 the Company's both shareholders expressed their commitment and readiness to postpone dividend distributions from the Company to them, which will allow a better cash position for EPIF Group. Also, the Company's shareholders pronounced their commitment to support the investment grade rating of the Company and its subsidiaries Eustream and SPPD until the uncertainty stabilizes.

The Company's management has evaluated the potential impacts of the overall situation on its activities and its business and has concluded that they have no significant impact on the Company's consolidated financial statements for the year ended 31 December 2021 and the going concern assumption as of date of preparation of financial statements. In particular, none of the capacity payments (including those from the Russian client) are delayed and none of EPIF Group's business or stakeholders are subject to sanctions.


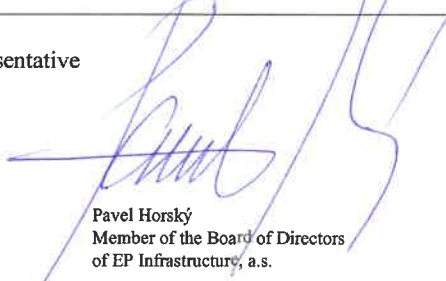
However, given the unprecedented socio-economic challenges in the context of the war in Ukraine, it cannot be ruled out that there may be further negative developments in the situation which could subsequently have a significant negative impact on EPIF Group, its business activities, financial conditions, performance, cash flows, valuation of assets and general outlook.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2021.

### Appendices\*:

#### Appendix 1 – 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
25 March 2022	 Daniel Křetinský 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.

### i. 31 December 2021

During 2021 the Group disposed of its investments in Claymore Equity, s.r.o. v likvidácii, PT Holding Investments B.V. Střelničná reality s.r.o., Malešice Reality s.r.o., Zálesí Reality s.r.o., EPRE Reality s.r.o. and Power Reality s.r.o. For effect of disposal see Note 6 (d) – Disposal of investments.

### ii. 31 December 2020

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:

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

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

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

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:

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

**VI. Independent Auditor's Report to the Statutory Financial Statements**

## 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 2021, 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 2021, 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, including the impact of the sustainability concept, 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, the impact of changes and expected changes in the sustainability concept 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.

### Emphasis of Matter

We draw attention to Note 21 to the financial statements which describes uncertainty resulting from subsequent event – military conflict of Russian Federation in Ukraine and related sanctions, which might have a material impact on valuation of gas assets of the entity and its future cash flows. Our opinion is not modified in respect of this matter.

### 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 2 years.

#### 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 1 March 2022 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 2021;
- Review of the condensed interim consolidated financial statements as at 30 September 2021;
- Assistance with the compilation of the Sustainability Report;
- Provision of a comfort letter for the issue of bonds by the Company; and
- Preparation of a draft comfort letter for a potential issue of the Company's shares.

In Prague on 1 March 2022

Audit firm:

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



Statutory auditor:

David Batal  
registration no. 2147



**VII. Statutory Financial Statements and Notes to the Statutory Financial Statements**

**SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE  
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED  
BY THE EUROPEAN UNION FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

**Legal Status:** Joint 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**

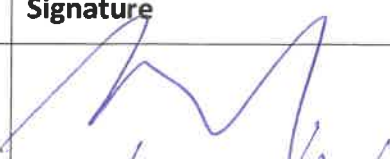
**Statement of Comprehensive Income**

**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 1 March 2022.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
<b>JUDr. Daniel Křetínský</b> Chairman of the Board of Directors	 
<b>Pavel Horský</b> Member of the Board of Directors	

## Statement of financial position

As at 31 December 2021

In thousands of CZK

	Note	31.12.2021	31.12.2020
<b>Assets</b>			
Equity investments	6	136 249 126	136 162 676
Property, plant and equipment		-	-
Intangible assets		1 231	1 231
Loans at amortised cost	7	22 452 263	41 955 799
Financial instruments and financial receivables	7	2 801	-
Deferred tax assets	16	181 238	375 594
<b>Total non-current assets</b>		<b>158 886 659</b>	<b>178 495 300</b>
Inventories		20 282	3 247
Trade receivables and other assets	8	80 992	3 996 712
Loans at amortised cost	7	20 715 174	-
Financial instruments and financial receivables	7	6 963	-
Tax receivables	8	510	556
Cash and cash equivalents	5	722 023	421 113
<b>Total current assets</b>		<b>21 545 944</b>	<b>4 421 628</b>
<b>Total assets</b>		<b>180 432 603</b>	<b>182 916 928</b>
<b>Equity</b>			
Share capital	9	80 750 000	80 750 000
Share premium		222 826	222 826
Other reserves	9	19 157 975	19 157 975
Retained earnings		20 123 127	15 131 292
Valuation differences on cash flow hedges		-912 039	-1 746 861
<b>Total equity attributable to equity holders</b>		<b>119 341 889</b>	<b>113 515 232</b>
<b>Liabilities</b>			
Loans and borrowings	11	58 171 604	65 350 854
Financial instruments and financial liabilities	11	2 232 012	3 541 174
<b>Total non-current liabilities</b>		<b>60 403 616</b>	<b>68 892 028</b>
Trade payables and other liabilities	12	75 350	20 934
Loans and borrowings	11	564 011	486 568
Financial instruments and financial liabilities	11	6 963	-
Provisions	12	40 774	2 166
<b>Total current liabilities</b>		<b>687 098</b>	<b>509 668</b>
<b>Total liabilities</b>		<b>61 090 714</b>	<b>69 401 696</b>
<b>Total equity and liabilities</b>		<b>180 432 603</b>	<b>182 916 928</b>

The notes presented on pages 5 to 38 form an integral part of these financial statements.

## Statement of comprehensive income

For the year ended 31 December 2021

In thousands of CZK

	Note	2021	2020
Sales: Services		17 113	11 818
<b>Total sales</b>		<b>17 113</b>	<b>11 818</b>
Cost of sales: Services		-384	-238
<b>Total cost of sales</b>		<b>-384</b>	<b>-238</b>
<b>Subtotal</b>		<b>16 729</b>	<b>11 580</b>
Personnel expenses	13	-58 715	-66 977
Depreciation and amortisation		-	-12
Taxes and charges		-3 581	-3
Other operating income	18	61 168	33
Other operating expenses	18	-205 930	-45 019
<b>Profit (loss) from operations</b>		<b>-190 329</b>	<b>-100 398</b>
Interest income under the effective interest method	14	811 530	1 232 829
Interest expense	14	-1 251 154	-1 339 503
Other finance expense	14	-57 587	-37 603
Foreign currency differences	14	308 875	-5 628
Profit (loss) from derivative instruments	14	280 766	-1 207 458
Dividend income	14	7 678 130	18 384 873
Change in allowance for financial instruments	14	-46 863	-309 025
<b>Net finance income</b>		<b>7 723 697</b>	<b>16 718 485</b>
<b>Profit (loss) before income tax</b>		<b>7 533 368</b>	<b>16 618 087</b>
Income tax	15	1 467	-24 776
<b>Profit (loss) from continuing operations</b>		<b>7 534 835</b>	<b>16 593 311</b>
<b>Profit (loss) for the year</b>		<b>7 534 835</b>	<b>16 593 311</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	834 822	-307 030
<b>Other comprehensive income for the year</b>		<b>834 822</b>	<b>-307 030</b>
<b>Total comprehensive income for the year</b>		<b>8 369 657</b>	<b>16 286 281</b>
<b>Basic and diluted earnings per share in CZK</b>	10	<b>23.33</b>	<b>51.37</b>

The notes presented on pages 5 to 38 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
<b>Balance at 31 December 2019</b>	<b>80 750 000</b>	<b>19 157 975</b>	<b>222 826</b>	<b>-1 439 831</b>	<b>28 040 050</b>	<b>126 731 020</b>
<i>Comprehensive income for the period</i>						
Profit for the period	-	-	-	-	16 593 311	<b>16 593 311</b>
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-307 030	-	<b>-307 030</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>-307 030</b>	<b>16 593 311</b>	<b>16 286 281</b>
<i>Contributions by and distributions to owners</i>						
Dividends to equity holders	-	-	-	-	-29 502 069	<b>-29 502 069</b>
<b>Balance at 31 December 2020</b>	<b>80 750 000</b>	<b>19 157 975</b>	<b>222 826</b>	<b>-1 746 861</b>	<b>15 131 292</b>	<b>113 515 232</b>
<i>Comprehensive income for the period</i>						
Profit for the period	-	-	-	-	7 534 835	<b>7 534 835</b>
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	834 822	-	<b>834 822</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>834 822</b>	<b>7 534 835</b>	<b>8 369 657</b>
<i>Contributions by and distributions to owners</i>						
Dividends to equity holders	-	-	-	-	-2 543 000	<b>-2 543 000</b>
<b>Balance as at 31 December 2021</b>	<b>80 750 000</b>	<b>19 157 975</b>	<b>222 826</b>	<b>-912 039</b>	<b>20 123 127</b>	<b>119 341 889</b>

The notes presented on pages 5 to 38 form an integral part of these financial statements.

# Cash flow statement

For the year ended 31 December 2021

in thousands of CZK

	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Profit for the year		7 534 835	16 593 311
Adjustments for:			
Income tax	15	- 1 467	24 776
Depreciation and amortisation		-	12
Change in provisions		38 608	577
Change in adjustments for financial instruments and write-off of receivables	14	74 712	309 025
Interest income and expense	14	439 624	106 674
Other finance expenses	14	57 587	37 604
Dividend income	14	- 7 678 130	-18 384 873
Profit/loss on derivative instruments	14	-280 766	1 207 458
Foreign exchange gains/losses, net		-310 847	- 8 065
<b>Operating profit before changes in working capital</b>		<b>- 125 844</b>	<b>-113 501</b>
Change in trade receivables and other assets		-62 905	5 049
Change in trade payables and other liabilities		54 416	-6 128
Change in inventories		-17 035	- 365
<b>Cash generated from (used in) operations</b>		<b>-151 368</b>	<b>-114 945</b>
Interest paid	5	- 996 036	- 1 191 080
Income taxes paid		-	-
<b>Cash flows generated from (used in) operating activities</b>		<b>-1 147 404</b>	<b>- 1 306 025</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received		11 105 511	14 240 990
Outflows from settlement of financial instruments		- 554 653	-392 328
Advances to related parties		-3 498 607	- 3 069 121
Interest received		-	341 623
Repayments from related parties		675 925	22 720 955
<b>Cash flows from (used in) investing activities</b>		<b>7 728 176</b>	<b>33 842 119</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans received	5	2 993 320	18 168 296
Repayment of borrowings	5	-17 763 022	-20 827 070
Proceeds from debentures issued	5	13 070 000	-
Debentures redeemed	5	-1 814 050	-
Finance fees, charges paid		- 143 732	-73 150
Dividends paid	5	- 2 543 000	-29 502 069
<b>Cash flows from (used in) financing activities</b>		<b>- 6 200 484</b>	<b>-32 233 933</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>380 288</i>	<i>302 101</i>
<b>Cash and cash equivalents at beginning of the year</b>		<b>421 113</b>	<b>117 185</b>
Effect of exchange rate fluctuations on cash held		-79 378	1 827
<b>Cash and cash equivalents at end of the year</b>		<b>722 023</b>	<b>421 113</b>

The notes presented on pages 5 to 38 form an integral part of these financial statements.

## Notes to 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 2021 to 31 December 2021 (“2021”). The comparable period (“2020”) is the financial year from 1 January 2020 to 31 December 2020.

#### *Registered office*

Pařížská 130/26

Josefov

110 00 Prague 1

Czech Republic

*The shareholders of the Company as at 31 December 2021 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%
<b>Total</b>	<b>80,750,000</b>	<b>100%</b>	<b>100%</b>

*The shareholders of Energetický a průmyslový holding, a.s., the 100% owner of EPIF Investments a.s. as at 31 December 2021 were:*

	Interest in share capital	Voting rights
	%	%
EP Corporate Group, a.s.	56% + 1 share	56% + 1 share
J&T ENERGY HOLDING, a.s.	44% - 1 share	44% - 1 share
<b>Total</b>	<b>100%</b>	<b>100%</b>

The consolidated financial statements of the widest group of entities for 2021 will be prepared by EP Investment S.à r.l. with its registered office at Avenue John F. Kennedy 39, L-1855 Luxembourg.

The consolidated financial statements of the widest group of entities for 2020 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 2021 were:*

*Members of the Board of Directors*

Daniel Křetínský (chairman)

Stephan Brimont (vice-chairman)

Gary Wheatley Mazzotti (vice-chairman)

Marek Spurný (member)

Pavel Horský (member)

Milan Jalový (member)

William David George Price (member)

*Members of the Supervisory Board*

Jan Špringl (chairman)

Martin Gebauer (vice-chairman)

Petr Sekanina (member)

Jiří Feist (member)

Jan Strítěský (member)

Rosa Maria Villalobos Rodriguez (member)

## **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 the International Accounting Standards Board (IASB), as adopted by the EU.

The financial statements were approved by the Board of Directors of the Company on 1 March 2022. 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 the 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 to 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. Assumption and estimation uncertainties*

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

- Note 7 – Financial instruments and financial receivables
- 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 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 revenues. 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 2021 and that have thus been applied by the Company for the first time.

**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 have no material impact on the Company's financial statements.

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

The amendments relate to 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 have no material impact on the Company's financial statements.

*ii. Standards not yet effective*

**IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2023) and IFRS 4 – Extension of the temporary exemption from applying IFRS 9 (effective for annual periods beginning on or after 1 January 2023)**

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 principal 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 (effective for annual periods beginning on or after 1 January 2023 (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 repayable within one year) or non-current. The amendments specify the classification requirements for debt instruments that the Company can settle by capitalisation.

The Company is currently examining the impact of the amendment on the financial statements.

**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)**

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 IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023 (not yet endorsed by the EU))**

The amendments introduce the term “material accounting policy information”, specify that an entity is obliged to disclose material accounting policy information, clarify that the information may be material even if the related amounts are immaterial. Additionally, they define how an entity may determine this material information.

The Company is currently examining the impact of the amendments on the financial statements.

**Amendments to IAS 8 – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023 (not yet endorsed by the EU))**

The amendments introduce a new definition of an accounting estimate, require that entities making accounting estimates measure items in the financial statements in a way that involves measurement uncertainty. In addition, they clarify that a change in an accounting estimate that results from new information is not the correction of an error and may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

The Company is currently examining the impact of the amendments on the financial statements.

**Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021)**

The amendments extend the period over which it is possible to apply practical expedient for Covid-19 related rent concessions for payments due between 30 June 2021 and 30 June 2022.

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

**Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023 (not yet endorsed by the EU))**

The amendments define exemptions from the initial recognition of a deferred tax asset and deferred tax liability from a single transaction that is not a business combination and has no impact on accounting or taxable profit. In transactions that give rise to equal taxable and deductible differences, an entity must recognise a deferred tax asset and deferred tax liability and exemptions do not apply to initial recognition.

The Company is currently examining the impact of the amendments on the financial statements.

**Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 - Comparative Information (effective for annual periods beginning on or after 1 January 2023 (not yet endorsed by the EU))**

The amendments introduce a transitional provision that relates to the information presented for financial assets in the comparative period on initial application of IFRS 17. The amendments are aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

Considering the nature of the Company's principal activities, 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 an 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 continues to generate significant dividend income 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 reasonable 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 2021 were therefore prepared in this respect.

**3. Significant accounting policies**

The Company has consistently applied the following accounting policies to all periods as 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 (FVOCI), fair value through other comprehensive income – equity instrument or fair value through profit or loss (FVTPL). 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 amortised 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.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable 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 in simplified mode.

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 of 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 if 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) the Company negotiates debt restructuring with a debtor in financial difficulties (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 future projected macroeconomic factor 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 gross domestic product growth, 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 some 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 currency or interest rate risks 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) Provisions**

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 and the 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 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 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 the 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).

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 2021	31 December 2020
Cash on hand	21	16
Current accounts with banks	722 002	421 097
<b>Total cash and cash equivalents</b>	<b>722 023</b>	<b>421 113</b>

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
<b>Balance as at 31 December 2020</b>	<b>15 293 510</b>	<b>-</b>	<b>50 543 912</b>	<b>15 131 292</b>	<b>80 968 714</b>
<i>Changes from financing cash flows</i>					
Received loans and borrowings and issued debentures	1 935 375	1 057 945	13 070 000	-	16 063 320
Repayment of borrowings and debentures	-17 150 663	-612 360	-1 814 050	-	-19 577 072
Dividends paid	-	-	-	-2 543 000	-2 543 000
<b>Total change from financing cash flows</b>	<b>-15 215 288</b>	<b>445 585</b>	<b>11 255 950</b>	<b>-2 543 000</b>	<b>-6 056 753</b>
<b>Total effect of changes in foreign exchange rates</b>	<b>-73 054</b>	<b>-</b>	<b>- 3 237 782</b>	<b>-</b>	<b>- 3 310 836</b>
<i>Other liability changes</i>	-	-	-	-	-
Transaction costs related to loans and borrowings (net)	-	-	-86 145	-	-86 145
Interest expense	128 942	1 320	1 120 893	-	1 251 154
Interest paid	-134 110	-714	-861 213	-	-996 037
Offset of a loan against a receivable from dividend	-	-446 191	-	-	-446 191
<b>Total liability-related other changes</b>	<b>-5 169</b>	<b>-445 585</b>	<b>173 535</b>	<b>-</b>	<b>-277 219</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 534 835</b>	<b>7 534 835</b>
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>58 735 615</b>	<b>20 123 127</b>	<b>78 858 742</b>

	Loans from credit institutions	Loans from other than credit institutions	Issued debentures	Retained earnings	Total liabilities and retained earnings
<b>Balance as at 31 December 2019</b>	<b>17 306 765</b>	<b>-</b>	<b>48 891 171</b>	<b>28 040 050</b>	<b>94 237 986</b>
<i>Changes from financing cash flows</i>					
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
<b>Total change from financing cash flows</b>	<b>- 2 658 774</b>	<b>-</b>	<b>-</b>	<b>- 29 502 069</b>	<b>- 32 160 843</b>
<b>Total effect of changes in foreign exchange rates</b>	<b>602 716</b>	<b>-</b>	<b>1 620 271</b>	<b>-</b>	<b>2 222 987</b>
<i>Other liability changes</i>	-	-	-	-	-
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
<b>Total liability-related other changes</b>	<b>42 803</b>	<b>-</b>	<b>32 470</b>	<b>-</b>	<b>75 273</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 593 311</b>	<b>16 593 311</b>
<b>Balance at 31 December 2020</b>	<b>15 293 510</b>	<b>-</b>	<b>50 543 912</b>	<b>15 131 292</b>	<b>80 968 714</b>

## 6. Equity investments

Equity investments Company name	Total profit (+) loss (-) for the period 01/1/2021- 31/12/2021 (in TCZK/TEUR)	Equity at 31/12/2021 (in TCZK/TEUR)	Net value of equity investment at 31/12/2021 (in TCZK)	Net value of equity investment at 31/12/2020 (in TCZK)
Claymore Equity, s.r.o v likvidácii ("Claymore")	-	-	-	-
EP Energy, a.s. ("EPE")*	CZK 6,694,158	CZK 29,858,311	34 960 282	34 873 855
Czech Gas Holding Investment B.V. ("CGHI")*	EUR 32,054	EUR 156,022	9 623 519	9 623 500
EPH Gas holding B. V. ("EPHGH")*	EUR 200,255	EUR 372,303	90 002 757	90 002 753
Plzeňská teplárenská, a.s. ("PLTEP")*	CZK 389,128	CZK 5,025,251	1 662 568	1 662 568
<b>Total equity investments</b>			<b>136 249 126</b>	<b>136 162 676</b>

\*Data from unaudited financial statements as at 31 December 2021.

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 2021, 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
Plzeňská teplárenská, a.s.	Doubravecká 2760/1, Východní Předměstí, 301 00 Plzeň, Czech Republic

*In 2021, there were the following changes in the non-current financial assets:*

On 17 April 2021, Claymore Equity, s.r.o v likvidácii, was liquidated. The Company released the recognised allowance for the investments of Claymore Equity, s.r.o. amounting to CZK 508 thousand.

In line with the accounting policy discussed in Note 3b), the value of an investment in EP Energy, a.s. was increased by the discount from the provision of an interest-free loan in 2021, in accordance with IFRS 9.

## 7. Financial instruments and financial receivables

Loans at amortised cost

<i>In thousands of CZK</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<i>Loans to other than credit institutions:</i>		
Czech Gas Holding Investment B.V. ("CGHI")	-	1 080
EPH Gas Holding B. V. ("EPHGH")	17 941 112	18 650 720
Slovak Gas Holding B.V. ("SGH")	20 571 869	21 374 747
EP Energy, a.s. ("EPE")	4 654 456	1 929 252
<b>Total</b>	<b>43 167 437</b>	<b>41 955 799</b>
<i>Non-current</i>	22 452 263	41 955 799
<i>Current</i>	20 715 174	-
<b>Total</b>	<b>43 167 437</b>	<b>41 955 799</b>

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:

<i>In thousands of CZK</i>	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Loan Claymore	-	-	-	27 913
Loan CGHI	-	-	1 080	1 082
Loan EPHGH	17 941 112	18 201 780	18 650 720	19 011 244
Loan SGH	20 571 869	20 866 011	21 374 747	21 621 325
Loan EPE	4 654 456	4 568 510	1 929 252	1 923 336
<b>Total</b>	<b>43 167 437</b>	<b>43 636 301</b>	<b>41 955 799</b>	<b>42 584 900</b>

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*).

### Financial receivables at fair value

<i>In thousands of CZK</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Other purposes than hedging: of which</b>	9 764	-
<i>Currency derivatives held for trading</i>	9 764	-
<b>Total</b>	<b>9 764</b>	<b>-</b>
<i>Non-current</i>	2 801	-
<i>Current</i>	6 963	-
<b>Total</b>	<b>9 764</b>	<b>-</b>

Derivatives 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*).

## 8. Trade receivables and other assets

<i>In thousands of CZK</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade receivables	19 975	13 597
Estimated receivables	110	248
Advance payments	514	4 196
Tax receivables	510	556
Dividends declared	-	3 978 671
Other receivables	60 388	-
Receivables from employees	5	-
<b>Total</b>	<b>81 502</b>	<b>3 997 268</b>
<i>Current</i>	81 502	3 997 268
<b>Total</b>	<b>81 502</b>	<b>3 997 268</b>

At 31 December 2021 and at 31 December 2020 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 2021 and 31 December 2020 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 attached 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 with a nominal value CZK 250 at meetings of the Company's shareholders.

31 December 2021 and 2020 <i>In thousands of shares</i>	Number of shares		Ownership	Voting
	250 CZK		interest	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
<b>Total</b>	<b>222,870</b>	<b>100,130</b>	<b>100.00</b>	<b>100.00</b>

### Other reserves

As of 31 December 2021 and 31 December 2020, other reserves consist of a payment over and above the share capital balance in the form of loan capitalisation.

## 10. Earnings per share

### Basic earnings per share

Basic earnings per share in CZK per 1 share of a nominal value of CZK 250 (2020: in CZK per 1 share with a nominal value of CZK 250) were equal to CZK 23.33 per 1 share (2020: CZK 51.37 per 1 share).

The calculation of basic earnings per share as at 31 December 2021 and as at 31 December 2020 was based on profit attributable to ordinary shareholders of CZK 7,534,835 thousand (2020: CZK 16,593,311 thousand), and a weighted average number of ordinary shares outstanding of 323,000,000 (2020: 323,000,000).

### Weighted average number of ordinary shares at 31 December 2021 and 2020

<i>In pieces</i>	Nominal	Weighted
Issued shares	323,000,000	323,000,000
<i>of which as at 6 February 2017 classified as:</i>		
Shares A (1 share/CZK 250)	222,870,000	222,870,000
Shares B (1 share/CZK 250)	100,130,000	100,130,000
<b>Total</b>	<b>323,000,000</b>	<b>323,000,000</b>

### Diluted earnings per share

As the Company issued no convertible debentures or other financial instruments with potential dilutive effects on ordinary shares, diluted earnings per share are equal to the basic earnings per share.

## 11. Financial instruments and financial liabilities

### *Financial liabilities carried at amortised cost*

<i>In thousands of CZK</i>	31 December 2021	31 December 2020
Loans payable to credit institutions	-	15 293 510
Issued debentures	58 735 615	50 543 912
<b>Total</b>	<b>58 735 615</b>	<b>65 837 422</b>
Non-current	58 171 604	65 350 854
Current	564 011	486 568
<b>Total</b>	<b>58 735 615</b>	<b>65 837 422</b>

The weighted average interest rate on financial liabilities for 2021 was 1.880% (2020: 1.831%).

### *Financial liabilities carried at fair value*

<i>In thousands of CZK</i>	31 December 2021	31 December 2020
<b>Hedging: of which</b>	-	1 524 744
Interest rate swaps related to cash flow hedge	-	1 524 744
<b>Risk management purpose: of which</b>	2 229 211	2 016 430
Interest rate swaps for trading	2 229 211	2 016 430
<b>Other purposes than hedging: of which</b>	-	-
Currency derivatives held for trading	9 764	-
<b>Total</b>	<b>2 238 975</b>	<b>3 541 174</b>
Non-current	2 232 012	3 541 174
Current	6 963	-
<b>Total</b>	<b>2 238 975</b>	<b>3 541 174</b>

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 2021 are presented in the following table:

<i>In thousands of CZK</i>	Principal	Accrued interest	Unamortised transaction costs	Maturity	Interest rate (%)	Effective interest rate (%)
EPIF 2024 Notes	18 645 000	211 088	-53 760	26/04/2024	1.659	1.786
EPIF 2026 Notes	14 916 000	106 225	-63 291	30/07/2026	1.698	1.795
EPIF 2028 Notes	12 430 000	58 075	-56 688	09/10/2028	2.045	2.117
EPIF 2031 Notes	12 430 000	188 623	-75 657	02/03/2031	1.816	1.888
<b>Total</b>	<b>58 421 000</b>	<b>564 011</b>	<b>-249 396</b>	-	-	-

#### *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 prematurely 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 100 % of the principal amount 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 prematurely 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 100 % of the principal amount 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%.

#### *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 prematurely 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 100 % of the principal amount 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%

#### *2031 EPIF Notes*

On 2 March 2021, the Company took advantage of favourable market conditions and successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in March 2031 in the denomination of EUR 100,000 each ("2031 Notes"). The 2031 Notes are listed on the Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2031 Notes will be redeemed at their principal amount on 2 March 2031. The proceeds from the notes were used primarily for early refinancing of Company's financial liabilities.

The Company may prematurely redeem all, but not part, of the 2031 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Company may redeem all, but not part, of the 2031 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Company may be required to offer to redeem the 2031 Notes prematurely at 100 % of the principal amount prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2031 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. EPIF has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out.

The 2031 Notes are stated net of debt issue costs of CZK 86,145 thousand. These costs are allocated to the income statement over the term of the 2031 Notes through the effective interest rate of 1.888%.

### 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 2020: EUR 440 million) of the total volume of drawn loan of EUR 500 million, which was refinanced in January 2020 by another EUR denominated loan and subsequently refinanced by an EUR debenture in 2021. 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 2022 to 2034. As a result of the hedging relationship, the Company reported CZK 1,006,325 thousand in equity as at 31 December 2021 (at 31 December 2020: CZK 452,225 thousand), including the related deferred tax of CZK (191,202) thousand (at 31 December 2020: CZK (85,923) thousand). In 2021, as a result of realised hedged cash flows from the amount recognised in equity in relation to the application of the hedge accounting, CZK 55,300 thousand was transferred to income accounts (2020: CZK 16,625 thousand).

	Cash flow hedges (currency risk)	Cash flow hedges (currency risk)	Interest rate swap (hedging)	Interest rate swap (hedging) – deferred tax	Effect from hedge accounting
	– deferred tax				
<b>Balance at 31/12/2019</b>	<b>836 250</b>	<b>-158 887</b>	<b>-2 613 820</b>	<b>496 626</b>	<b>-1 439 831</b>
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
<b>Balance at 31/12/2020</b>	<b>452 225</b>	<b>-85 923</b>	<b>-2 608 843</b>	<b>495 680</b>	<b>-1 746 861</b>
Utilisation of cash flow hedges	-55 300	-	-	-	-55 300
Revaluation of cash flow hedges	609 400	-	-	-	609 400
Deferred tax – cash flow hedges	-	-105 279	-	-	-105 279
Reclassified to profit for the period	-	-	476 544	-	476 544
Deferred tax – interest rate swaps	-	-	-	-90 543	-90 543
<b>Balance at 31/12/2021</b>	<b>1 006 325</b>	<b>-191 202</b>	<b>-2 132 299</b>	<b>405 137</b>	<b>-912 039</b>

### 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 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Bank loan	-	-	15 293 510	15 208 884
Issued debentures	58 735 615	60 718 211	50 543 912	50 850 586
<b>Total</b>	<b>58 735 615</b>	<b>60 718 211</b>	<b>65 837 422</b>	<b>66 059 470</b>

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

<i>In thousands of CZK</i>	31 December 2021	31 December 2020
Trade payables	67 830	14 561
Estimated payables	1 021	2 198
Payroll liabilities	2 215	1 888
Other tax liabilities	3 766	1 776
Provisions	40 774	2 166
Other liabilities	518	511
<b>Total</b>	<b>116 124</b>	<b>23 100</b>
<i>Current</i>	<i>116 124</i>	<i>23 100</i>
<b>Total</b>	<b>116 124</b>	<b>23 100</b>

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 2021 and 31 December 2020.

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

## 13. Personnel expenses

<i>In thousands of CZK</i>	2021	2020
Wages and salaries	32 332	39 380
Compulsory social security contributions	9 765	10 989
Board members' remuneration	16 600	16 600
Other social expenses	18	8
<b>Total</b>	<b>58 715</b>	<b>66 977</b>

The average number of employees in full time equivalent units during 2021 was 17 (2020: 18), of which 7 (2020: 7) were executives.

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

<b>Recognised in profit or loss</b>	2021	2020
<i>In thousands of CZK</i>		
Interest income (under the effective interest method)	811 530	1 232 829
Dividend income	7 678 130	18 384 873
Net foreign exchange gain	308 875	-
Gain from release of allowances to loans/equity investments	-	-
<b>Finance income</b>	<b>8 798 535</b>	<b>19 617 702</b>
Interest expense (under the effective interest method)	-1 251 154	-1 339 503
Fees and commissions expense for payment transactions	-57 587	-37 603
Net foreign exchange loss	-	-5 628
Loss from allowances to loans/equity investments	-46 863	-309 025
<b>Finance expense</b>	<b>-1 355 604</b>	<b>-1 691 759</b>
Profit (loss) from hedging derivatives	-476 545	-26 379
Profit (loss) from interest rate derivatives held for trading	757 311	-1 181 079
Profit (loss) from currency derivatives held for trading	-	-
<b>Profit (loss) from financial instruments</b>	<b>280 766</b>	<b>-1 207 458</b>

Net finance income (expense) recognised in profit or loss

7 723 697

16 718 485

## 15. Income tax expenses

### Income tax recognised in profit or loss

In thousands of CZK	2021	2020
<i>Current taxes:</i>		
Current year	-	-
Adjustment for prior periods	-	-
<b>Total current taxes</b>	-	-
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	1 467	-24 776
<b>Total deferred taxes</b>	<b>1 467</b>	<b>-24 776</b>
<b>Total income taxes (expense) recognised in the statement of comprehensive income for continuing operations</b>	<b>1 467</b>	<b>-24 776</b>

(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 2021 (19% for 2020).

### Income tax recognised in other comprehensive income

In thousands of CZK

	Gross	2021 Income tax	Net of income tax
Effective portion of changes in fair value of hedging instruments (currency risk)	476 545	-105 279	371 266
Effective portion of changes in fair value of hedging instruments (interest rate risk)	554 100	-90 544	463 556
<b>Total</b>	<b>1 030 645</b>	<b>-195 823</b>	<b>834 822</b>

In thousands of CZK

	Gross	2020 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
<b>Total</b>	<b>-379 048</b>	<b>72 018</b>	<b>-307 030</b>

### Reconciliation of effective tax rate

In thousands of CZK

		2021		2020
	%		%	
Profit from continuing operations before tax		7 533 368		16 618 087
Income tax using the Czech domestic rate (19 %)	19.0%	-1 431 340	19.0%	-3 157 437
Non-taxable income - dividends	-19.4%	1 458 845	-21.0%	3 493 126
Other non-taxable income		-		-
Non-deductible expenses - interest	1.8%	-134 880	0.9%	-146 723
Non-deductible expenses - other financial expenses	0.3%	-23 803	0.1%	-18 191
Non-deductible expenses – provisions and allowances	0.2%	-15 324	0.0%	-110
Non-deductible expenses - other	0.5%	-38 088	0.1%	-15 997
Other effects on profit or loss	0.0%	-7		-
Change in unrecognised deferred tax asset	-1.7%	130 145	1.1%	-187 299
Other differences in financial instruments held at amortised costs	-0.7%	55 919	-0.1%	7 855
<b>Income taxes recognised in the comprehensive income statement</b>	<b>0.0%</b>	<b>1 467</b>	<b>0.1%</b>	<b>-24 776</b>

## 16. Deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

<i>In thousands of CZK</i>	31 December 2021	31 December 2021	31 December 2020	31 December 2020
<b>Temporary difference related to:</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Financial instruments and financial liabilities	-	-47 385	-	-62 179
Loans and borrowings	14 688	-	28 016	-
Derivatives	405 137	-	495 680	-
Cash flow hedges	-	-191 202	-	-85 923
Tax losses	-	-	-	-
<b>Total</b>	<b>419 825</b>	<b>238 587</b>	<b>523 696</b>	<b>-148 102</b>
<b>Total (net)</b>		<b>181 238</b>	<b>375 594</b>	

The Company recorded an unrecognised deferred tax asset arising from tax losses of CZK 93,770 thousand as of 31 December 2021 (31 December 2020: CZK 223,914 thousand).

Movements in deferred tax during the year:

<i>In thousands of CZK</i>	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2021
<b>Balance related to:</b>				
Financial instruments and financial liabilities	-62 179	14 794	-	-47 385
Loans and borrowings	28 016	-13 327	-	14 689
Derivatives	495 680	-	-90 544	405 136
Cash flow hedges	-85 923	-	-105 279	-191 202
Tax losses	-	-	-	-
<b>Total</b>	<b>375 594</b>	<b>1 467</b>	<b>-195 823</b>	<b>181 238</b>

Movements in deferred tax during the prior period:

<i>In thousands of CZK</i>	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2020
<b>Deferred tax assets (liabilities) related to:</b>				
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	-	-
<b>Total</b>	<b>328 351</b>	<b>-24 776</b>	<b>72 019</b>	<b>375 594</b>

## 17. Off-balance sheet assets and liabilities

The Company recognised receivables in the amount of CZK 31,592,177 thousand in its off-balance sheet accounts (31 December 2020: CZK 39,367,500 thousand) and payables in the amount of CZK 31,592,177 thousand (31 December 2020: CZK 39,367,500 thousand), which represented the notional value of the concluded derivatives.

The Company also recognised an undrawn revolving facility in the amount of CZK 9,944,000 thousand (31 December 2020: CZK 10,498,000 thousand).

## 18. Operating expenses and income

### Sales

Sales of the Company comprise provided support and consulting services.

## Other operating expenses

<i>In thousands of CZK</i>	<b>2021</b>	<b>2020</b>
Audit, accounting, consolidation	59 357	28 750
Tax advisory	442	1 137
Legal advisory	49 382	769
Other advisory	24 620	3 499
Rent expenses	3 367	4 355
Travel expenses	4 025	2 318
Other	26 129	3 614
Provisions	38 608	577
<b>Total for continuing operations</b>	<b>205 930</b>	<b>45 019</b>

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 2021 and 31 December 2020.

## 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 and market 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 other receivables and trade receivables. 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 type of counterparty and by geographic region is provided in the following tables.

#### Credit risk by type of counterparty

As at 31 December 2021

*In thousands of CZK*

	<b>Corporate (non- financial institutions)</b>	<b>State, government</b>	<b>Banks</b>	<b>Total</b>
<i>Assets</i>				
Cash and cash equivalents	-	-	722 023	<b>722 023</b>
Trade receivables and other assets and tax receivables	80 992	510	-	<b>81 502</b>
Loans at amortised cost	43 167 437	-	-	<b>43 167 437</b>
Financial instruments and financial assets	-	-	9 764	<b>9 764</b>
<b>Total</b>	<b>43 248 429</b>	<b>510</b>	<b>731 787</b>	<b>43 980 726</b>

**As at 31 December 2020***In thousands of CZK*

	Corporate (non- financial institutions)	State, government	Banks	Total
<b>Assets</b>				
Cash and cash equivalents	-	-	421 113	<b>421 113</b>
Trade receivables and other assets and tax receivables	3 996 712	556	-	<b>3 997 268</b>
Loans at amortised cost	41 955 799	-	-	<b>41 955 799</b>
<b>Total</b>	<b>45 952 511</b>	<b>556</b>	<b>421 113</b>	<b>46 374 180</b>

**Credit risk by location of debtor****As at 31 December 2021***In thousands of CZK*

	Czech Republic	Netherlands	Other	Total
<b>Assets</b>				
Cash and cash equivalents	722 023	-	-	<b>722 023</b>
Trade receivables and other assets and tax receivables	77 909	-	3 593	<b>81 502</b>
Loans at amortised cost	4 654 456	38 512 981	-	<b>43 167 437</b>
Financial instruments and financial assets	9 764	-	-	<b>9 764</b>
<b>Total</b>	<b>5 464 152</b>	<b>38 512 981</b>	<b>3 593</b>	<b>43 980 726</b>

**As at 31 December 2020***In thousands of CZK*

	Czech Republic	Netherlands	Other	Total
<b>Assets</b>				
Cash and cash equivalents	421 113	-	-	<b>421 113</b>
Trade receivables and other assets and tax receivables	14 614	3 978 671	3 983	<b>3 997 268</b>
Loans at amortised cost	1 929 252	40 026 547	-	<b>41 955 799</b>
<b>Total</b>	<b>2 364 979</b>	<b>44 005 218</b>	<b>3 983</b>	<b>46 374 180</b>

**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 2021***In thousands of CZK*

	Trade receivables and other assets	Loans to other than credit institutions	Financial instruments and financial assets	Total
Before maturity (net)	81 502	43 167 437	9 764	<b>43 258 703</b>
After maturity (net)	-	-	-	<b>-</b>
<b>Total</b>	<b>81 502</b>	<b>43 167 437</b>	<b>9 764</b>	<b>43 258 703</b>
A – Assets for which an allowance has been created				
- gross		43 716 034		<b>43 716 034</b>
- specific loss allowance	-	-548 597	-	<b>-548 597</b>
- general loss allowance	-	-	-	<b>-</b>
<b>Net</b>	<b>81 502</b>	<b>43 167 437</b>	<b>9 764</b>	<b>43 258 703</b>
<b>Total</b>	<b>81 502</b>	<b>43 167 437</b>	<b>9 764</b>	<b>43 258 703</b>

The movements in the allowance for impairment in respect of financial assets during the year ended

31 December 2021 were as follows:

<i>In thousands of CZK</i>	<b>Loans to other than credit institutions</b>	<b>Total</b>
<b>Balance at 1 January 2021</b>	<b>501 227</b>	<b>501 227</b>
Impairment losses recognised during the year	126 860	<b>126 860</b>
Reversals (release) of impairment losses recognised during the year	-79 490	<b>-79 490</b>
<b>Balance at 31 December 2021</b>	<b>548 597</b>	<b>548 597</b>

### **Credit risk – impairment of financial assets**

**As at 31 December 2020**

*In thousands of CZK*

	<b>Trade receivables and other assets</b>	<b>Loans to other than credit institutions</b>	<b>Total</b>
Before maturity (net)	3 997 268	41 955 799	<b>45 953 067</b>
After maturity (net)	-	-	-
<b>Total</b>	<b>3 997 268</b>	<b>41 955 799</b>	<b>45 953 067</b>
A – Assets for which an allowance has been created			
- gross	-	42 457 026	<b>42 457 026</b>
- specific loss allowance	-	-501 227	<b>-501 227</b>
- general loss allowance <sup>(1)</sup>	-	-	-
<b>Net</b>	<b>3 997 268</b>	<b>41 955 799</b>	<b>45 953 067</b>
<b>Total</b>	<b>3 997 268</b>	<b>41 955 799</b>	<b>45 953 067</b>

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

<i>In thousands of CZK</i>	<b>Loans to other than credit institutions</b>	<b>Total</b>
<b>Balance at 1 January 2020</b>	<b>192 709</b>	<b>192 709</b>
Impairment losses recognised during the year	396 462	<b>396 462</b>
Reversals (release) of impairment losses recognised during the year	-87 944	<b>-87 944</b>
<b>Balance at 31 December 2020</b>	<b>501 227</b>	<b>501 227</b>

### **(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 Note 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 2021 <i>In thousands of CZK</i>	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	58 735 615	58 735 615	188 623	375 388	33 443 950	24 727 654
Financial instruments and financial liabilities	2 238 975	2 528 453	3 455	390 996	1 761 276	372 726
Trade payables and other liabilities	116 124	116 124	116 124	-	-	-
<b>Total</b>	<b>61 090 714</b>	<b>61 380 192</b>	<b>308 202</b>	<b>766 384</b>	<b>35 205 226</b>	<b>25 100 380</b>

*Contractual cash flows disregard discounting to net present value and include potential future interest.*

As at 31 December 2020 <i>In thousands of CZK</i>	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	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	-	-	-
<b>Total</b>	<b>69 401 696</b>	<b>70 059 589</b>	<b>97 303</b>	<b>1 078 206</b>	<b>36 477 503</b>	<b>32 406 576</b>

(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, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2021 is as follows:

<i>In thousands of CZK</i>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	722 023	-	-	-	<b>722 023</b>
Trade receivables and other assets and tax receivables	-	-	-	81 502	<b>81 502</b>
Loans at amortised cost	22 452 263	20 715 174	-	-	<b>43 167 437</b>
Financial instruments and financial receivables	9 764	-	-	-	<b>9 764</b>
<b>Total</b>	<b>23 184 050</b>	<b>20 715 174</b>	<b>-</b>	<b>81 502</b>	<b>43 980 726</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(1)</sup>	-	33 443 949	24 727 655	564 011	<b>58 735 615</b>
Financial instruments and financial liabilities	2 238 975	-	-	-	<b>2 238 975</b>
out of which Derivatives - inflow (receivables)	31 592 177	-	-	-	<b>31 592 177</b>
- outflow (payables)	-	-3 997 577	-27 594 600	-	<b>-31 592 177</b>
Trade payables and other liabilities	-	-	-	116 124	<b>116 124</b>
<b>Total</b>	<b>2 238 975</b>	<b>33 443 949</b>	<b>24 727 655</b>	<b>680 135</b>	<b>61 090 714</b>
<b>Net interest rate risk position</b>	<b>20 945 075</b>	<b>-12 728 775</b>	<b>-24 727 655</b>	<b>-598 633</b>	<b>-17 109 988</b>
<b>Net interest rate risk position (incl. IRS)</b>	<b>52 537 252</b>	<b>-16 726 352</b>	<b>-52 322 255</b>	<b>-598 633</b>	<b>-17 109 988</b>

(1) Disregarding agreed interest rate swaps

Interest rate risk exposure as at 31 December 2020 was as follows:

<i>In thousands of CZK</i>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	421 113	-	-	-	<b>421 113</b>
Trade receivables and other assets and tax receivables	-	-	-	3 997 268	<b>3 997 268</b>
Loans at amortised cost	-	41 955 799	-	-	<b>41 955 799</b>
<b>Total</b>	<b>421 113</b>	<b>41 955 799</b>	<b>-</b>	<b>3 997 268</b>	<b>46 374 180</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(1)</sup>	17 026 953	19 603 065	28 720 836	486 568	<b>65 837 422</b>
Financial instruments and financial liabilities	3 541 174	-	-	-	<b>3 541 174</b>
out of which Derivatives - inflow (receivables)	39 367 500	-	-	-	<b>39 367 500</b>
- outflow (payables)	-	-12 072 700	-27 294 800	-	<b>-39 367 500</b>
Trade payables and other liabilities	-	-	-	23 100	<b>23 100</b>
<b>Total</b>	<b>20 568 127</b>	<b>19 603 065</b>	<b>28 720 836</b>	<b>509 668</b>	<b>69 401 696</b>
<b>Net interest rate risk position</b>	<b>-20 147 014</b>	<b>22 352 734</b>	<b>-28 720 836</b>	<b>3 487 600</b>	<b>-23 027 516</b>
<b>Net interest rate risk position (incl. IRS)</b>	<b>19 220 486</b>	<b>10 280 034</b>	<b>-56 015 636</b>	<b>3 487 600</b>	<b>-23 027 516</b>

(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.

<i>In thousands of CZK</i>	<b>31/12/2021 Profit (loss)</b>	<b>31/12/2020 Profit (loss)</b>
Decrease in interest rates by 1%	-310 750	-192 205
Increase in interest rates by 1%	310 750	192 205

**(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 than 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 currency swaps, 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 2021, the Company's financial assets and liabilities based on denomination were as follows:

<i>In thousands of CZK</i>	<b>CZK</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	52 749	669 274	-	<b>722 023</b>
Trade receivables and other assets and tax receivables	77 909	3 593	-	<b>81 502</b>
Financial assets and financial receivables	9 764	-	-	<b>9 764</b>
Loans at amortised cost	2 774 062	40 393 375	-	<b>43 167 437</b>
	<b>2 914 484</b>	<b>41 066 242</b>	-	<b>43 980 726</b>
<b>Off-balance sheet assets</b>				
Receivables from derivative operations	268 577	31 323 600	-	<b>31 592 177</b>
	<b>268 577</b>	<b>31 323 600</b>	-	<b>31 592 177</b>
<b>Liabilities</b>				
Loans and borrowings	-	58 735 615	-	<b>58 735 615</b>
Financial instruments and financial liabilities	2 238 975	-	-	<b>2 238 975</b>
Trade payables and other liabilities	57 476	58 608	40	<b>116 124</b>
	<b>2 296 451</b>	<b>58 794 223</b>	<b>40</b>	<b>61 090 714</b>
<b>Off-balance sheet liabilities</b>				
Payables related to derivative operations	268 577	31 323 600	-	<b>31 592 177</b>
	<b>268 577</b>	<b>31 323 600</b>	-	<b>31 592 177</b>
<b>Net FX risk position</b>	<b>618 033</b>	<b>-17 727 981</b>	<b>-40</b>	<b>-17 109 988</b>
Effect of currency hedging	-	10 938 400	-	<b>10 938 400</b>
<b>Net FX risk position after hedging</b>	<b>618 033</b>	<b>-6 789 581</b>	<b>-40</b>	<b>-6 171 588</b>

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 2020 was as follows:

<i>In thousands of CZK</i>	<b>CZK</b>	<b>EUR</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	24 421	396 692	-	<b>421 113</b>
Trade receivables and other assets and tax receivables	14 614	3 982 654	-	<b>3 997 268</b>

Loans at amortised cost	-	41 955 799	-	<b>41 955 799</b>
	<b>39 035</b>	<b>46 335 145</b>	-	<b>46 374 180</b>
<b>Off-balance sheet assets</b>				
Receivables from derivative operations	-	39 367 500	-	<b>39 367 500</b>
	-	<b>39 367 500</b>	-	<b>39 367 500</b>
<b>Liabilities</b>				
Loans and borrowings	-	65 837 422	-	<b>65 837 422</b>
Financial instruments and financial liabilities	3 541 174	-	-	<b>3 541 174</b>
Trade payables and other liabilities	20 290	483	2 327	<b>23 100</b>
	<b>3 561 464</b>	<b>65 837 905</b>	<b>2 327</b>	<b>69 401 696</b>
<b>Off-balance sheet liabilities</b>				
Commitments received	-	10 498 000	-	10 498 000
Payables related to derivative operations	-	39 367 500	-	39 367 500
	-	<b>49 865 500</b>	-	<b>49 865 500</b>
<b>Net FX risk position</b>	<b>-3 522 429</b>	<b>-19 502 760</b>	<b>-2 327</b>	<b>-23 027 516</b>
Effect of currency hedging	-	11 547 800	-	<b>11 547 800</b>
<b>Net FX risk position after hedging</b>	<b>-3 522 429</b>	<b>-7 954 960</b>	<b>-2 327</b>	<b>-11 479 716</b>

Off-balance sheet assets are described in more detail in Note 17 – Commitments and contingencies.

The following significant exchange rates applied during the reporting period:

		2021		2020	
	Average rate	Reporting date rate	Average rate	Reporting date rate	
CZK					
EUR	25.645	24.86	26.444	26.245	

### 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.

<i>Effect in thousands of CZK</i>	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
EUR (5% strengthening of CZK)	339 479	397 748

<i>Effect in thousands of CZK</i>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>Other comprehensive income</b>	<b>Other comprehensive income</b>
EUR (5% strengthening of CZK)	546 920	577 390

A weakening of the Czech crown against the above currency at the reporting date would have had 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:

<i>In millions of CZK</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Total liabilities bearing interest	58 736	65 837
Less: cash and cash equivalents	722	421
<b>Net debt</b>	<b>58 014</b>	<b>65 416</b>
 Total equity attributable to the equity holders	 119 342	 113 515
Less: amounts accumulated in equity relating to cash flow hedges	-912	-1 747
Adjusted capital	<b>120 254</b>	<b>115 262</b>
<b>Debt to adjusted capital</b>	<b>0.48</b>	<b>0.57</b>

#### (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 a total amount of EUR 440 million. The hedged cash inflows in EUR arising from EUR denominated transactions are expected to occur and impact profit or loss in periods of 2022 to 2034.

### *Cash flow hedges – hedge of interest rate risk*

The Company applied hedge accounting for hedging instruments designed to hedge the interest rate risk of its debt financing before 2 March 2021. The hedging instruments included interest rate swaps used to hedge the risk related to the repricing of interest rates on debt financing. Due to refinancing of loans with a variable interest rate by a debenture with a fixed rate, the hedge accounting was discontinued. As at 2 March 2021, a hedge effectiveness test was performed, and the relationship was assessed as ineffective. As a result of the discontinued hedge relationship, the Company recognised a cash flow hedge reserve from interest in equity in the amount of 2,608,843 thousand. The revaluation of interest swaps used as hedging between 31 December 2020 and 2 March 2021 was derecognised in the profit or loss and concurrently the release was set for 2021 – 2026. This hedging will be gradually derecognised together with the future interest (hedged item) in the profit or loss. The reserve as of 31 December 2021 amounts to CZK 2,132,298 thousand (2020: CZK 2,608,843 thousand).

## **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 2021 and 31 December 2020:**

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 31/12/2021	Accounts payable and other financial liabilities 31/12/2021	Accounts receivable and other financial assets 31/12/2020	Accounts payable and other financial liabilities 31/12/2020
Subsidiaries	43 718 546	-	46 436 975	-
Other*	17 961	59 617	15 933	13 720
<b>Total</b>	<b>43 736 507</b>	<b>59 617</b>	<b>46 452 908</b>	<b>13 720</b>

\* 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 2021 and 31 December 2020 was as follows:**

*In thousands of CZK*

	Revenues 2021	Expenses 2021	Revenues 2020	Expenses 2020
Subsidiaries	8 491 736	28 661	1 233 886	-
Other*	15 054	75 019	10 787	28 620
<b>Total</b>	<b>8 506 790</b>	<b>103 680</b>	<b>1 244 673</b>	<b>28 620</b>

\* 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 2021 and 2020. 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 (2020: 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**

In the context of the ongoing military invasion in the territory of Ukraine and associated sanctions targeting the Russian Federation, the Company has identified risks and taken relevant measures to mitigate the related impacts on its business activities. Based on the available information and the most recent developments, the Company has been analysing the situation on an ongoing basis, assessing its impacts directly on the Company and its subsidiaries. The Company's management has evaluated the potential impacts of this situation on its activities and its business and has concluded that they have no significant impact on the Company's financial statements for 2021 and the going concern assumption in 2022. However, it cannot be ruled out that there will be further negative developments in the situation which will subsequently have a significant negative impact on the Company, its business activities, financial condition, performance, cash flows and general outlook.

Between the balance sheet date and the financial statements preparation date, there were no other events with a material impact on the assessment of the asset and financial situation and results of business activities as at 31 December 2021.