DK Holding Investments, s.r.o.

Consolidated Annual Report 2021

Consolidated Annual Report 2021 of the company DK Holding Investments, s.r.o.

The consolidated annual report has been prepared for the year ended 31 December 2021 for the company DK Holding Investments, s.r.o. ("the Company", "DKHI") and its subsidiaries (together referred to as the "the Group").

BUSINESS DESCRIPTION

DKHI:

- limited liability company
- established on 16 December 2015
- registered address Na poříčí 1079/3a, Nové Město, 110 00, Praha 1, Czech Republic
- identification number 04645740
- the main activity is holding shares in its subsidiary companies listed in detail in Note 1 of the Notes to the Consolidated Financial Statements

MANAGEMENT

As of 31 December 2021, the company DKHI is represented by the Company Executive Director and Manager, Mr. Jaromir Tesar. The subsidiary companies within the Group are managed by its legal bodies according to the legal form of the entity and the local legislation.

CURRENT YEAR RESULTS

The Group have achieved a satisfactory financial result in 2021. In the following years, the Group will continue to maintain a steady trend and remain strict in cost controlling costs and overseeing its investments.

RESPONSIBILITIES OF THE MANAGEMENT

The Management confirms that appropriate accounting policies have been used and applied consistently and that reasonable and prudent judgements and valuation of assets, liabilities, revenues and expenses have been made in the preparation of the consolidated financial statements for the year ended 31 December 2021. The Management also confirms that applicable accounting standards have been followed.

EVENTS AFTER THE REPORTING PERIOD

Agreement to acquire EPHD and EPTD terminated (EPas)
On 17 January 2022, EPas terminated the agreement to acquire companies EPHD and EPTD which own a 100% stake in the 280 MW hydroelectric power plant with the Alpaslan 2 dam and the 97 MW hydroelectric power plant with the Karakurt dam from its parent company DKHI. The agreement was concluded on 14 October 2021.

Prepayment for an acquisition of investments (EPV)
As disclosed in Note 11, in June 2021, EPV and Frisardi EOOD had concluded a Preliminary agreement for a transfer of real estate / investments in the amount of EUR 7.2 million. EPV had paid in advance the amount of EUR 6.1 million.

In February 2022, Frisardi EOOD has established a new company FreeSol EOOD through a non-monetary contribution and subject of activity: the real estate, which was concluded in the above Preliminary agreement. In March 2022, EPV and Frisardi EOOD have concluded a contract for the transfer of a 100% of FreeSol EOOD' shares. With this last contract, the prior obligations of the two companies to sign a final agreement have been executed.

Issued bonds (EPas)
On 4 February 2022, EPas issued bonds in the amount of USD 435 million (EUR 384 million) with a fixed coupon of 8.5 % p.a. due 2027. The proceeds of the issuance were used to repay EPas's EUR 370 million bonds with a fixed coupon of 4.5% p.a. due 2022, and to pay related fees and expenses.

Military conflict between Russia and Ukraine
On 24 February 2022, Russian Federation launched a large-scale military invasion of Ukraine. Since the start of the war, there has been a significant depreciation of the Russian Ruble against foreign currencies, as well as a significant decline in the value of Russian securities. The sanctions have led to substantial increases in the prices of commodities, such as energy, metals and food in global markets, and to further disruptions in global supply chains. Free market prices of electricity have also risen sharply.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries. The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. The Group's management considered the potential effects of the invasion on its activities and business and concluded that there is no material effect given that the Group has insignificant relations with these countries.

Sale of financial investment in EPI
After the balance sheet date, the management of EPI decided to sell the financial investment in LTT. The sale was completed at the end of June 2022.

Hyperinflation in Turkey
Due to the rapid devaluation of the Turkish lira, Turkey is considered as hyperinflationary and as a result the application of IAS 29 will be adopted for the first time in the second quarter of 2022. The financial statements of 2022 for those subsidiaries that have the Turkish lira as a functional currency will be restated for the change in the general purchasing power retrospectively since 1 January 2021.

No other significant events have occurred since the balance sheet date that would have an impact on the annual financial statements.

RESEARCH AND DEVELOPMENT (R&D)

The Group does perform R&D activities through its subsidiary Litostroj Engineering, a.s. The company has its own hydraulic laboratory and continues the long tradition of Blansko in the R&D, supply and other services for the hydroelectric equipment.

ENVIROMENTAL PROTECTION

The Group makes significant efforts in health protection for its employees and environmental protection. Currently, the Group complies with all environmental protection standards set for this type of business. The companies within the Group are periodically monitored for compliance with the environmental standards of the countries in which it operates.

LABOUR RELATIONS

The Group complies with all legal regulations in the Czech Republic and the other countries in which it operates.

The consolidated financial statements and Annual report were authorised for issue on 12 July 2022 in Prague, Czech Republic.

Jaromír Tesař
Company Executive Director
DK Holding Investments, s.r.o.

DK Holding Investments, s.r.o.

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report

For the period ended 31 December 2021

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Consolidated Statement of Financial Position

(EUR'000)	Note	31 December 2021	31 December 2020 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	7	836,872	947,185
Prepayments for property, plant and equipment		618	548
Goodwill	8	69,837	68,422
Other intangible assets	9	23,594	31,781
Non-current financial assets	11	3,335	2,870
Prepayments for an acquisition of investments	11	6,136	-
Deferred tax assets	28	7,930	7,437
Non-current portion of issued loans	10	184	1,605
Other non-current assets		11,650	28,808
Total non-current assets		**960,156**	**1,088,656**
Current assets			
Inventories	12	36,978	33,541
Trade and other receivables	13	104,491	73,724
Current income tax asset		1,459	2,944
Current portion of issued loans	10	3,740	1,257
Contract assets		83,916	68,721
Cash and cash equivalents	14	83,220	56,786
Other current assets	15	54,416	39,172
Total current assets		**368,220**	**276,145**
Total assets		**1,328,376**	**1,364,801**
EQUITY			
Authorised share capital	16	7	7
Additional paid-in capital		340,000	340,000
Translation reserve		(262,643)	(223,788)
Retained earnings (losses) & Other reserves	17	(111,268)	(71 732)
Equity attributable to the company's owners		**(33,904)**	**44,487**
Non-controlling interest		**29,867**	**25,956**
Total equity		**(4,037)**	**70,443**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	4,727	7,220
Non-current Provisions	20	10,586	11,009
Non-current Borrowings	21	586,784	946,510
Non-current financial liabilities	18	3,106	3,983
Other non-current liabilities	19	17,553	11,131
Total non-current liabilities		**622,756**	**979,853**
Current liabilities			
Provisions	19	6,521	8,264
Trade and other payables	21	135,034	126,526
Income tax payable		6,910	195
Borrowings	20	460,970	88,317
Contract liabilities		32,570	23,567
Other current liabilities to shareholder	22	44,893	44,590
Other current liabilities	22	22,759	23,046
Total current liabilities		**709,657**	**314,505**
Total liabilities		**1,332,413**	**1,294,358**
TOTAL LIABILITIES AND EQUITY		**1,328,376**	**1,364,801**

Consolidated Statement of Comprehensive Income of Comprehensive Income

(EUR'000)	Note	1 January - 31 December 2021	1 January - 31 December 2020 Restated
Revenue			
Sales of electricity in local markets		952,734	550,564
Cross border sales of electricity		60	361
Grid components of electricity sales price		124,618	114,811
Services and other		88,725	96,974
Total revenue		**1,166,137**	**762,710**
Other income	27	13,731	11,919
Changes in inventory of products and in work in progress		(2,115)	(1,739)
Capitalized own products and own services		-	-
Purchased power		(682,312)	(441,324)
Service expenses	24	(90,419)	(70,579)
Labour costs		(89,818)	(90,336)
Material expenses		(30,407)	(40,380)
Tax expenses		(8,852)	(4,762)
Other operating expenses	25	(21,088)	(17,642)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)[1]		**254,857**	**107,867**
Depreciation and amortisation expense	7,9	(61,629)	(52,338)
Impairment (loss)/Reversal of impairment loss	7,9	(5,231)	218
Earnings before financial expenses and taxes (EBIT)		**187,997**	**55,747**
Finance income	26	4,865	3,685
Finance costs	26	(221,316)	(147,836)
Finance costs – net		**(216,451)**	**(144,151)**
Income before income tax (EBT)		**(28,454)**	**(88,404)**
Income tax	28	(12,115)	(4,796)
Deferred taxes	28	5,319	3,273
Total income tax expense		**(6,796)**	**(1,523)**
Profit/(loss) for the year		**(35,250)**	**(89,927)**
Profit/(loss) attributable to:			
- Owners of the company		(39,256)	(91,856)
- Non-controlling interest		4,006	1,929
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(38,885)	(73,184)
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		149	(487)
Tax effect		-	-
Net amount		149	(487)
Other comprehensive income/(loss)		**(38,736)**	**(73,671)**
Total comprehensive income/(loss)		**(73,986)**	**(163,598)**
Total comprehensive income attributable to:			
- Owners of the company		(78,000)	(165,504)
- Non-controlling interest		4,014	1,906

[1] EBITDA is a non-GAAP measure in this Consolidated Statement of Comprehensive Income (there is no IFRS standard for EBITDA specification). The Group considers EBITDA to be an important indicator of its economic performance. EBITDA is calculated as total revenues minus certain operating expenses, as shown above.

Consolidated Statement of Changes in Equity

	Equity attributable to the company's owners						
(EUR'000)	Authorised ("Unpaid") share capital	Additional paid-in capital	Translation reserve	Retained earnings & Other reserves	Total equity without non-controlling interest	Non-controlling interest	Total equity
1 January 2020	**7**	**190,000**	**(150,668)**	**21,346**	**60,685**	**24,054**	**84,739**
Net income for the period	-	-	-	(91,856)	(91,856)	1,929	(89,927)
Other comprehensive income	-	-	(73,184)	(464)	(73,648)	(23)	(73,671)
Comprehensive income for the period	-	-	(73,184)	(92,320)	(165,504)	1,906	(163,598)
Increase in additional paid-in capital	-	150,000	-	-	150,000	-	150,000
Dividends payable to non-controlling interest	-	-	-	-	-	-	-
Other changes in equity	-	-	64	(758)	(694)	(4)	(698)
31 December 2020 Restated	**7**	**340,000**	**(223,788)**	**(71,732)**	**44,487**	**25,956**	**70,443**
1 January 2021	**7**	**340,000**	**(223,788)**	**(71,732)**	**44,487**	**25,956**	**70,443**
Net income for the period	-	-	-	(39,256)	(39,256)	4,006	(35,250)
Other comprehensive income	-	-	(38,885)	141	(38,744)	8	(38,736)
Comprehensive income for the period	-	-	(38,885)	(39,115)	(78,000)	4,014	(73,986)
Dividends payable to non-controlling interest	-	-	-	(362)	(362)	-	(362)
Other changes in equity	-	-	30	(59)	(29)	(103)	(132)
31 December 2021	**7**	**340,000**	**(262,643)**	**(111,268)**	**(33,904)**	**29,867**	**(4,037)**

Consolidated Statement of Cash-flows

(EUR'000)	Note	1 January - 31 December 2021	1 January - 31 December 2020
Profit/(loss) before income tax		**(28,454)**	**(131,926)**
Adjusted for:			
Depreciation and amortization expense	7,9	61,629	52,338
Unrealised currency translation losses/(gains)		168,930	110,864
Interest income	26	(71)	(41)
Interest expenses	26	46,023	70,191
Changes in provisions and impairment		4,446	(8,954)
Assets granted free of charge		(466)	(765)
Inventory surplus		(777)	(1,325)
(Gain)/Loss on disposal of property, plant and equipment		2,519	1,615
Inventory obsolescence expense		737	1,568
Other changes - difference in rate of exchange etc.		624	(1,665)
Cash inflow from operating activities before changes in operating assets and liabilities		**254,140**	**91,682**
Movements in working capital			
Decrease/(increase) in inventories	12	(1,554)	11,088
Decrease/(increase) in trade accounts receivable	13	(62,188)	(27,898)
Decrease/(increase) in other current assets	15	(13,631)	(7,756)
Increase/(decrease) in trade and other payables	22	10,755	(9,226)
Increase/(decrease) in other current liabilities	23	2,929	11,180
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**191,451**	**69,070**
Interest received		10	52
Income tax paid		(3,895)	(4,351)
Net cash (outflow)/inflow from operating activities		**187,566**	**64,771**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash of entities acquired (-), Disposal of subsidiaries, net of cash of entities disposed		-	13
Purchases of property, plant and equipment and intangible assets	7,9	(113,319)	(170,928)
Proceeds from sale of property plant and equipment		15	143
Loans granted	10	(3,706)	(574)
Loans repaid	10	2,689	81
Net change in deposits granted		624	3,937
Acquisition of financial investment		(7,635)	(153)
Net cash outflow from investing activities		**(121,332)**	**(167,481)**
Cash flows from financing activities			
Proceeds from borrowings		1,189,309	230,712
Repayment of borrowings		(1,220,138)	(199,547)
Issued bonds		21,011	20,009
Bond fees		(312)	(529)
Interest paid		(45,328)	(46,862)
Dividends paid to non-controlling interest		(362)	-
Dividends paid to the shareholders of the parent company		-	-
Net cash used in financing activities		**(55,820)**	**3,783**
Net increase/(decrease) in cash and cash equivalents		**10,414**	**(98,927)**
Cash and cash equivalents at the beginning of the year		**56,786**	**133,182**
Effect of exchange rate on changes on Cash and Cash equivalents		16,020	22,531
Cash and cash equivalents at the end of the year		**83,220**	**56,786**

Notes to Consolidated Financial Statements

1. DK Holding Investments, s.r.o. Group and its Operations

DK Holding Investments, s.r.o. is a limited liability company established on 16 December 2015. The registered address of the Company is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the company is 04645740. The ultimate owner and the manager of the Company is Mr. Jaromir Tesar.

The Company is a parent company of the group of companies, which comprises the following entities and their subsidiaries consolidated in these financial statements:

(i) ENERGO-PRO Industries, s.r.o. Group
(ii) ENERGO-PRO a.s. Group
(iii) Other subsidiaries of DKHI Group

The number of employees of the DKHI Group as of 31 December 2021 and 2020 was 9,644 and 9,645, respectively.

(i) ENERGO-PRO Industries, s.r.o. Group ("EPI Group")

ENERGO-PRO Industries, s.r.o. Group is organised and managed based on territory markets in which it operates (Czech Republic, Slovenia, Canada, US, Turkey and other territories) and is focused on two major segments – design and production of energy and industrial equipment.

ENERGO-PRO Industries, s.r.o. ("EPI")

EPI is a limited liability company established on 5 February 2014. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. EP Industries is a parent company of Litostroj Power d.o.o. Group ("LP Group"), Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. and LITOSTROJ Holding US, and directly owns 100% of shares in these entities.

Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş. ("LTT") is a joint-stock company established in Turkey. The registered address of the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The company operates manufacturing facility in Turkey.

LITOSTROJ Holding U.S. INC. ("LTH US") is a joint-stock company was established on 13 August 2019 in the United States. The registered address of the company is 251 Little Falls Drive, Wilmington, County of New Castle, Delaware, 19808, United States. The company monitors the situation on the local market, promotes products, prepares offers and deals with subcontractors.

LTH US is the parent company of the following entity:

		LTH US's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
LITOSTROJ U.S. LLC.	United States	100%	100%

LITOSTROJ U.S. LLC. ("LT US") is a joint-stock company was established on 20 August 2019 in the United States. The registered address of the company is 641 South Lawrence Street, Montgomery, AL 36104, United States. The company monitors the situation on the local market, promotes products, prepares offers and deals with subcontractors.

LP Group activities are focused on two major segments – design and production of energy and industrial equipment. LP Group unifies these entities:

- **Litostroj Power d.o.o.** ("LP") is a limited liability company established in Slovenia. The registered address of the company is Litostrojska cesta 50, 1000 Ljubljana, Slovenia. The company is engaged in the design, powerplant engineering and manufacturing of power generation and industrial equipment thought its own production capacity and R&D department.

- **Litostroj Engineering, a.s.** ("LE") is a joint-stock company established in the Czech Republic. The registered address of the company is Čapkova 2357/5, 678 01 Blansko, Czech Republic. As of 1 January 2019, the company changed its name from ČKD Blansko Engineering, a.s. to Litostroj Engineering, a.s. The company has its own hydraulic laboratory and continues the long tradition of Blansko in the research, development, supply and other services for the hydroelectric equipment.

- **Litostroj Hydro Inc.** ("LHI") is a limited liability company established in Canada. The registered address of the company is Rue de Pacifiquie 45, Bromont, Quebec, Canada. The company monitors the situation on the local market, promotes products, prepares offers and deals with subcontractors.

The number of employees of ENERGO-PRO Industries, s.r.o. Group as of 31 December 2021 and 2020 was 428 and 461, respectively.

(ii) ENERGO-PRO a.s. and its subsidiaries ("EP Group")

ENERGO - PRO a.s. ("EPas") is a joint stock company established on 23 March 1995. The registered address is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic and the identification number of EPas is 63217783. The main activities of the EPas are power generation from hydro power plants ("HPPs"), electricity distribution and power trading.

The ultimate holder of 100% of EPas shares is the entity DKHI which is wholly owned by Mr. Jaromír Tesař.

The company has established solid presence in Central and Eastern Europe, Black Sea region and the Caucasus:

- Hydro power operations in Bulgaria, Georgia and Turkey;
- Power distribution activities in Georgia and Bulgaria;
- Trading with the electricity on the European market.

EPas is the parent company of the Group of companies ("the EP Group" or "the Group"), which comprises the following entities and their subsidiaries consolidated in these financial statements as of 31 December 2021:

Name	**Location**	**Ownership interest**
ENERGO - PRO a.s.	Czechia	parent
MEGAWATT SERVIS s.r.o.	Czechia	100%
TDP Development Services s.r.o. (iii)	Czechia	100%
ENERGO-PRO Georgia Holding JSC (i)	Georgia	100%
OPPA JSC	Georgia	100%
ENERGO-PRO Bulgaria EAD	Bulgaria	100%
ENERGO-PRO Varna EAD	Bulgaria	100%
Reşadiye Hamzali Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	100%
ENERGO-PRO Güney Elektrik Toptan Satiş Ithalat Ihracat ve Ticaret A.Ş.	Turkey	100%
ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş.	Turkey	100%
ENERGO-PRO Swiss GmbH (ii)	Switzerland	100%
Energo Pro Turkey Holding A.Ş. (iv)	Turkey	100%
ENERGO-PRO Colombia S.A.S.	Colombia	100%

Below are summarized the changes in the structure that took place over the period from 1 January to 31 December 2021:

(i) In April 2021, EPas established the company ENERGO-PRO Georgia Holding JSC, in which holds 100% of share. At the same time, EPas contributed 49.9% of share of the companies JSC Energo - Pro Georgia and EP Georgia Generation JSC to the company ENERGO-PRO Georgia Holding JSC. EPas continues to own 50.1% of share in these companies. The change was realized based on legislative and regulatory requirements in Georgia.

(ii) Based on the Share Purchase Agreement with the Parent company DKHI dated 26 February 2021, EPas became the single shareholder of ENERGO-PRO Swiss GmbH.

(iii) In February 2021, EPas became the single shareholder of TDP Development Services s.r.o.

(iv) Energo Pro Turkey Holding A.Ş. was established in September 2021 to provide management and shared services to the Group's companies in Turkey.

The Group is organised and managed based on territory markets in which it operates (Bulgaria, Georgia, Turkey, Colombia, Switzerland and international power trading). The Group's business is conducted responsibly in order to achieve a solid financial return balanced with long-term growth and to fulfill the Group commitments to the community and the environment.

The Group has proven operational experience and know-how. The Group successfully implemented large-scale rehabilitation projects in the last years. From electricity distribution, the Group possesses know-how in dealing with large numbers of customers, network planning and optimization. In power trading, the Group has solid experience in cross-border electricity trading and execution of large-scale trade contracts.

The Group has had exponential growth during the past several years and turned into a strong player in the acquisition and operation of plants above 100 megawatts (MW) of installed capacity. The Group continues to look for new investment opportunities, focusing on South-Eastern Europe, the Black Sea region and South America.

The number of employees of the Group as of 31 December 2021 and 31 December 2020 was 9,152 and 9,102 respectively.

List of ENERGO-PRO Group´s power plants as of 31 December 2021 is as follows:

Hydro power plants	**Installed capacity (MW)**
Bulgaria:	
Koprinka	7
Stara Zagora	22
Popina Laka	22
Lilyanovo	20
Sandanski	14
Petrohan	8
Barzia	6
Klisura	4
Pirin	22
Spanchevo	28
Karlukovo	2
Ogosta	5
Katunci	3
Samoranovo	3
Total Bulgaria	**166**
Turkey:	
Resadiye I	16
Resadiye II	26
Resadiye III	22
Hamzali	17
Aralik	12
Total Turkey	**93**
Georgia:	
Atsi	18
Rioni	54
Lajanuri	114
Gumati I	48
Gumati II	23
Shaori	40
Dzevrula	80
Satskhenisi	14
Ortachala	18
Sioni	9
Martkopi	4
Chitakhevi	21
Zahesi	37
Chkhori	6
Kinkisha	1
Total Georgia hydro power plants	**487**
Georgia:	
Gardabani Gas Power Plant (TPP)	110
Total Georgia gas-fired plant	**110**
Total hydro power plants	**747**
Total gas-fired power plant	**110**
Total hydro + gas-fired plants	**857**

The number of EP Group employees as of 31 December 2021 and 2020 was 9,152 and 9,102, respectively.

ENERGO-PRO Georgia Holding JSC ("EPGH")

EPGH was incorporated on 15 April 2021 and is domiciled in Georgia. EPGH is a joint-stock company limited by shares and was set up in accordance with Georgian legislation.

EPGH's establishment was related to legal unbundling of the Georgian energy market and activities of EP Group in Georgia. The aim of the Georgian energy reforms is the creation of a market with high standards of public service and consumer protection that allows customers to freely choose their suppliers. In 2021, liberalization of the Georgian retail market continued, with more non-household customers obliged to move from regulated market to the free market.

EPGH's registered address is Zurab Anjaparidze st. 19, 0186 Tbilisi, Georgia. EPGH's principal business activity is holding of shares in its subsidiary companies.

EPGH is the parent company of the group of companies ("EPGH Group"), which comprises the following entities and their subsidiaries consolidated in these financial statements:

		EPGH's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
JSC Energo - Pro Georgia (i)	Georgia	49.9%	-
EP Georgia Supply JSC	Georgia	100.0%	-
EP Georgia Generation JSC (ii)	Georgia	49.9%	-

(i) EPas owns 50.1% of share of the company JSC Energo - Pro Georgia.
(ii) EPas owns 50.1% of share of the company EP Georgia Generation JSC.

The number of employees of EPGH Group as of 31 December 2021 and 31 December 2020 was 6,094 and 6,040, respectively.

JSC Energo - Pro Georgia ("EPG") was incorporated on 31 July 2006 and is domiciled in Georgia. EPG is a joint-stock company limited by shares and was set up in accordance with the Georgian legislation.

On 5 February 2007, EPG signed an agreement with the Government of Georgia for the purchase of the assets of the hydro power plants and electricity distribution companies and obtained 100% control over the assets of United Energy Distribution Company, Adjara Energy Distribution Company and six hydro power plants in Georgia.

The investment project of the Group in Georgia was implemented with the financial support of the Czech Export Bank (a state-owned Czech financial institution which is specialized in providing support for export activities and foreign investments of Czech companies) until the issuance of the bonds in 2017.

EPG operates electricity distribution business. According to the requirements of the new Law on Energy and Water Supply, the distribution system operator carried out second step to legal unbundling by 16 April 2021 and separated distribution activities from supply business activities (until 1 July 2021 EPG conducted both distribution and supply activities to its end customers).

EPG's principal business activity is the distribution of electricity to more than one million customers. EPG's distribution network covers 85% of the territory of Georgia except for the capital city Tbilisi.

As part of the legal unbundling changes in Georgia described above, the company LLC gPower was transferred to EP Georgia Generation JSC in April 2021.

EPG's registered address is No.19 Zurab Anjaparidze Str. 0186 Tbilisi, Georgia.

EP Georgia Supply JSC ("EPGS") was incorporated on 14 May 2021 and is domiciled in Georgia. EPGS is a joint-stock company limited by shares and was set up in accordance with the Georgian legislation. EPGS's principal activity is supply of electricity (following the legal unbundling of the Georgian electricity market). EPGS's registered address is Zurab Anjaparidze st. 19, 0186 Tbilisi, Georgia.

EP Georgia Generation JSC ("EPGG") was incorporated on 23 December 2016 after the reorganization of EPG assets and is domiciled in Georgia. EPGG is a joint-stock company limited by shares and was set up in accordance with the Georgian legislation.

EPGG's principal activity is the generation of electricity via its portfolio of fifteen medium and small size hydro power plants.

EPGG's registered address is Zurab Anjaparidze st. 19, 0186 Tbilisi, Georgia.

EPGG is the parent company in the following entity:

		EPGG's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
LLC gPower	Georgia	100%	-

LLC gPower ("gPower") was incorporated on 16 November 2010 and is domiciled in Georgia. As part of the legal unbundling changes in Georgia described above, the company gPower was transferred under EPGG in April 2021. gPower's operating assets mainly comprise four gas power turbines with an installed capacity of 110 MW and other assets required for electricity generation (Gas Turbine Power Station).

gPower's principal business activity is provision of guaranteed capacity and generation of electricity. Guaranteed capacity ensures the stable and reliable functioning of a unified electric energy system of Georgia. The period of standby mode and minimum volume of guaranteed capacity is regulated by the Government of Georgia. At the same time, tariffs are determined by Georgian National Energy and Water Supply Regulatory Commission ("GNERC").

gPower's registered address is No.19 Zurab Anjaparidze Str. 0186 Tbilisi, Georgia.

JSC OPPA ("OPPA")

OPPA is a joint stock company and was established on 19 March 2007. Since 7 March 2018, former Nova Technology JSC changed its name and was officially registered as JSC OPPA.

OPPA provides a variety of services to companies, commercial establishments and consumers. Such services include maintenance of pay boxes, pay lines, connection of windows based and java terminals and other related services.

OPPA is parent company of the following entity:

		OPPA's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
LLC OPPA Commerce	**Georgia**	**100%**	**100%**

OPPA established a subsidiary company LLC OPPA Commerce ("OPPA Commerce") in September 2018. Its main activity is optimization of commercial activities of OPPA. The registered address of OPPA Commerce is 15 Al. Kazbegi Ave., 0160 Tbilisi, Georgia.

OPPA's registered address is 15 Al. Kazbegi Ave., 0160 Tbilisi, Georgia.

The number of employees of OPPA as of 31 December 2021 and 31 December 2020 was 357 and 308, respectively.

Energo-Pro Bulgaria EAD ("EPB")

EPB is a joint-stock company established on 13 September 2000. The identification number of the company is 130368870. With a total installed capacity of 166 MW, EPB is the largest private producer from hydropower sources in Bulgaria. Presently, EPB owns and operates fourteen HPPs. Ten of the plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

The registered address of the company is Floor 5, 2 Pozitano Sq., p.b. 1000 Sofia, Bulgaria,

EPB is the parent company of the following entities:

		EPB's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
Pirinska Bistritsa Energia AD	Bulgaria	100% (ii)	26.52% (i)
Pirinska Bistritsa Kaskadi EAD (ii)	Bulgaria	-	100%

(i) Pirinska Bistrica Kaskadi EAD owned 73.48 % of Pirinska Bistritsa Energia AD's share as of 31 December 2020.

(ii) As of 10 May 2021, the company Pirinska Bistritsa Kaskadi EAD merged into EPB and EPB acquired 73.48% of Pirinska Bistritsa Energia AD.

Pirinska Bistritsa Energia AD ("PBE") is duly registered by the Sofia City Court under company file No 10295/2000 with seat 2 Pozitano square, floor. 5, 1000 Sofia, Bulgaria, re-registered with the Commercial register of the Registry Agency. Its main activity is study, design, and construction, funding and operation of hydro power plants. PBE is licensed by the State Energy and Water Regulatory Commission. PBE is the owner of two HPPs, united in one cascade. The plants are in the village of Gorno Spanchevo, close to the village of Pirin.

The number of employees of EPB as of 31 December 2021 and 31 December 2020 was 127 and 128, respectively.

ENERGO-PRO VARNA EAD ("EPV")

EPV was registered on 12 June 2012 in the Trade register to Registration Agency with UIK 202104220 and permanent address Varna, Varna Towers – E, 258 "Vladislav Varnenchik" Blvd.

On 5 July 2016, the parent company ENERGO-PRO VARNA EOOD has been transformed by changing the legal form into a single-shareholder joint-stock company (ENERGO-PRO Varna EAD) on the grounds of Art. 264, para. 1 of the Commerce Act with UIC 204146759. After the transformation, the registered capital of the company is in the amount of BGN 35,791,888 (18,300,102 EUR) divided into 35,791,888 ordinary dematerialized shares with a nominal value of BGN 1.

EPV is the parent company of the following entities:

		EPV's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
Electrodistribution North AD	Bulgaria	93.10%	93.10%
ENERGO-PRO Sales AD	Bulgaria	99.73%	99.73%
ENERGO-PRO Energy Services EAD	Bulgaria	100%	100%
Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş.	Turkey	39.76%	49%

;
In addition to the table above, as of 31 December 2021, EPV was 100% owner of the following companies established in October 2021: DES 001 EOOD, DES 002 EOOD, DES 003 EOOD, DES 005 EOOD, DES 007 EOOD. These companies are engaged in the activity of acquisition of real estate and renting/leasing (if needed) the properties in order to build and operate energy installations from renewable sources (solar and wind), design, development, construction and servicing the solar/ wind electrical systems as well as re-sale of such systems.

These companies have changed their names as follows:

(i) DES 001 EOOD – ESV 001 EOOD from 16 February 2022,
(ii) DES 002 EOOD – Tierra del Sol 002 EOOD from 4 March 2022,
(iii) DES 003 EOOD – Sunny Land 003 EOOD from 16 February 2022,
(iv) DES 005 EOOD – Solare 005 EOOD from 16 February 2022,
(v) DES 007 EOOD – ZEUS 007 EOOD from 16 February 2022. The company has 50% ownership in the company Sun Technology 1 EOOD. Sun Technology 1 EOOD is also engaged in the activity of acquisition of real estate for building installations from renewable sources

Electrodistribution North AD (“ElectroNorth”), former ENERGO-PRO Grid AD, is registered in the Trade Register to the Registration Agency with EIK 104518621 with its permanent address at Varna, Varna Towers – E, 258 “Vladislav Varnenchik” Blvd. ElectroNorth distributes electricity by operating, maintaining and developing the electricity distribution network as well as the auxiliary facilities and networks and transmitting electricity along the grid. ElectroNorth has license L-138-07/13.08.2004, issued by the Energy and Water Regulations Commission (“EWRC”) - for the activity distribution of electricity, amended by Decision No I3-L-138 / 09.12.2013, with the rights and obligations deriving from the activity of "Coordinator of special balancing group for compensation of losses in the distribution network".

ENERGO-PRO Sales AD (“EPS”) is registered in the Trade Register to the Registration Agency with EIK 103533691 with its permanent address Varna, Varna Towers – G, 258 “Vladislav Varnenchik” Blvd. EPS is engaged in the activity of electricity supply. EPS has a licence, issued by EWRC for the public supply of electricity for a self-contained area, amended by Decision No I1-L-139/ 09.12.2013, complemented with the rights and obligations deriving from the activity of the "coordinator of special balancing group" of household and non-household customers, group of producers of electricity from renewable sources and group of producers of electricity from cogeneration plants production and licence for the activity of delivery of electricity from the supplier of last resort.

ENERGO-PRO Energy Services EAD (“EPES”) is registered in the Trade Register to the Registration Agency with EIK 131512672 with its permanent address at Varna, Varna Towers – G, 258 “Vladislav Varnenchik” Blvd. EPES is engaged in trading with electricity, gas and other energy on the electricity market at freely negotiated prices. EPES has a license issued by EWRC for electricity trade.

Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş. (“Berta”) is a joint-stock company established on 11 May 2016 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activity of Berta is the greenfield assets project of 3 HPP’s and dam development in Turkey on the river Berta. In May 2020, the EPV acquired 30,919 shares or 49.00% of Berta's capital TRY 63.1 million. On 25 October 2021, the General assembly of shareholders of Berta decided to increase Berta's share capital to TRY 77.8 million. EPV retained 30,919 shares or 39.76% of Berta's capital.

The number of employees of EPV as of 31 December 2021 and 31 December 2020 was 2,411 and 2,406, respectively.

Reşadiye Hamzali Elektrik Üretim Sanayi ve Ticaret A.Ş. (“RH”)

RH is a joint stock company established on 14 August 1986. The registered address of RH is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activities of RH involve operating HPPs and trading with electricity produced through those plants.

The number of employees of RH as of 31 December 2021 and 31 December 2020 was 87 and 99, respectively.

ENERGO-PRO Güney Elektrik Toptan Satiş Ithalat Ihracat ve Ticaret A.Ş. (“EPToptan”)

EPToptan was registered on 19 February 2010. The registered address of EPToptan is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. Its activities are focused on trading with electricity in the Turkish energy market.

The number of employees of EPToptan as of 31 December 2021 and 31 December 2020 was 1 and 8, respectively.

ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş. (“EPInsaat”)

EPInsaat is a joint stock company established on 27 April 2017. In the first half of 2018, EPInsaat changed its business name from the former ENERGO-PRO Iyi Dere Elektrik Üretim Şanayi ve Ticaret A.Ş. to ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş. The registered address of EPInsaat is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

EPInsaat provides project management and civil construction works in the hydropower segment. Its most significant contract was the Main Construction Contract for all civil works required for the completions of the Alpaslan II HPP & dam project of 280 MW installed capacity. In 2021, EPInsaat completed the contract. First unit was commissioned in October 2020 and the remaining units were commissioned in the first quarter of 2021.

The number of employees of EPInsaat as of 31 December 2021 and 31 December 2020 was 1 and 38, respectively.

MEGAWATT SERVIS s.r.o. (“MGW”)

MGW is a limited liability company established on 8 December 1994. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activities of MGW are consultancy in the hydro energy sector and the assembling of hydro technical facilities. MGW’s activities are predominantly carried out within the Group, in particular in respect of the rehabilitation of the Group’s HPPs in Georgia.

The number of employees of MGW as of 31 December 2021 and 31 December 2020 was 41 and 43, respectively.

ENERGO-PRO Colombia S.A.S (“EP Colombia”)

EP Colombia with registration number: NIT 901.290.829-1 is a commercial company of the simplified share type established on 5 June 2019 with the registered address of Calle 37B Sur No.28C-01 CA 169 CR Las Brujas, Envigado, Medellín, Antioquia, Colombia. The main activities of EP Colombia are consultancy in the hydro energy sector and identification of the new hydropower projects in the country.

Based on the Shares Purchase Agreement with the Parent company DKHI dated 7 December 2020, the EPas became the unique shareholder of the ENERGO-PRO Colombia S.A.S. EP Colombia performs operational matters through EPas and outsourcing services. EP Colombia had no employees as of 31 December 2021 and 31 December 2020.

EP Colombia is the parent company in the following entity:

		EP Colombia’s ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
Generadora Chorreritas S.A.S. E.S.P.	Colombia	100%	100%

Generadora Chorreritas S.A.S. E.S.P. (“Chorreritas”) with registration number: NIT 901.144.893-7 is a commercial company of the Simplified Share type, with the registered address of Calle 37B Sur No.28C-01 CA 169 CR Las Brujas, Envigado, Medellín, Antioquia. In 2020, Chorreritas acquired the public electricity generation licence. Chorreritas is engaged in the development of a 20 MW run-of-the-river hydropower project on San Andrés river in Colombia (Antioquia region). During 2021, the project’s development stage was getting completed to get all the necessary permits and designs.

ENERGO-PRO Swiss GmbH ("EP Swiss")

EP Swiss is a limited liability company established on 27 May 2019 with the registered address of Zürcherstrasse 15, 5400 Baden, Switzerland. The company's main activity is providing hydro-engineering consulting services. Based on the Shares Purchase Agreement with the Parent company DKHI dated 26 February 2021, the EPas became the unique shareholder of EP Swiss.

EP Swiss main activities consist of providing technical consultancy in the hydropower sector (including greenfield development projects), expert supervision and support during the development and implementation of new projects. EP Swiss had 2 employees as of 31 December 2021.

Energo Pro Turkey Holding A.Ş. ("EP Turkey Holding")

EP Turkey Holding was established in September 2021 to provide management and shared services to the Group's companies in Turkey. EP Turkey Holding had no employees as of 31 December 2021 and 31 December 2020

TDP Development Services s.r.o. ("TDP")

TDP is a limited liability company established on 20 March 2019 with registered address of Na poříčí 1079/3, Nové Město, 110 00 Praha 1, Czech Republic. TDP's business activity is a special purpose vehicle which owns a land plot in Prague and is engaged in development of a real estate project. TDP had no employees as of 31 December 2021 and 31 December 2020.

(iii) Other subsidiaries of DKHI Group

ENERGO-PRO Czechia s.r.o. ("EPC")

EPC is a limited liability company established on 28 March 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. ENERGO-PRO Czechia s.r.o. changed its business name on 10 September 2020 from ENERGO-PRO Asset Turkey s.r.o. The EPC acquired the companies Dolnolabské elektrárny a.s. and ENERGO - PRO MVE, s.r.o. from the Parent company DKHI in the second half of the year 2020.

EPC is the parent company of the following entities:

		EPC's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
Dolnolabské elektrárny a.s.	Czechia	62%	62%
ENERGO - PRO MVE, s.r.o.	Czechia	100%	100%

Dolnolabské elektrárny a.s. ("DEL") is a joint-stock company established on 15 May 2000. DEL is a company controlled by the shareholders Mr. Jaromír Tesař (which owns 62% of shares), Mr. Petr Tesař (which owns 5% of shares) and Mr. Jan Motlík (which owns 33% of shares). The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activity of DEL is the operation of HPP Litoměřice on the Labe river in the Czech Republic.

ENERGO - PRO MVE, s.r.o. ("EPMVE") is a limited liability company established on 11 January 2016. The registered address of the company is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activity of EPMVE is the operation of Brandýs nad Labem HPP on the river Labe in the Czech Republic.

ENERGO-PRO Turkish Development s.r.o. ("EPTD")

EPTD is a limited liability company established on 6 October 2016 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. EPTD is a parent company of Turkish entity "Bilsev Enerji Üretim ve Ticaret A.S." which manages the Karakurt HPP & dam operation.

EPTD is the parent company in the following entity:

		EPTD's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
Bilsev Enerji Üretim VE Ticaret A.Ş.	Turkey	100%	100%

Bilsev Enerji Üretim VE Ticaret A.Ş. ("Bilsev") is a joint stock company established on 3 November 2011 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

ENERGO-PRO Hydro Development, s.r.o. ("EPHD")

EPHD is a limited liability company established on 20 February 2017 with registered address of Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. EPHD is a parent company of Turkish entity "Murat Nehri Enerji Üretim A.S." which manages the Alpaslan II HPP & dam operation.

EPHD is the parent company in the following entity:

		EPHD's ownership interest	
Name	**Location**	**31 December 2021**	**31 December 2020**
Murat Nehri Enerji Üretim A.Ş.	Turkey	100%	100%

Murat Nehri Enerji Üretim A.Ş. ("Murat") is a joint stock company established on 31 December 2015 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş.

Berta is a joint-stock company established on 11 May 2016 in Turkey. The registered address of the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activity of Berta is the greenfield asset project of 3 HPP's and dam development in Turkey on the river Berta. As of 31 December 2021, DKHI owns 60.24% of shares and EPV owns 39.76% of ownership.

PT ENERGO PRO Indonesia ("EP Indonesia")

EP Indonesia is a joint-stock company established on 15 August 2018 with registered address of Jl. Raya Karang Congok No. 8 Kel. Karang Satria, Indonesia. The company's main activity is investigation of the new hydropower project possibilities in the territory. As of 31 December 2021, DKHI owns 95% of ownership and PT Solusi Global Sejahtera owns 5% of ownership.

Terestra-Bulgaria EOOD ("Terestra")

Terestra is a limited liability company established in 2002 under the Bulgarian legislation. The registered seat and the address of the company is at 100, G.S.Rakovski street, Sofia, Bulgaria.

TAKEDAKODON, s.r.o. ("Takedakodon")

Takedakodon is a limited liability company established on 28 January 2013 with registered address of Na poříčí 1079/3, Nové Město, 110 00 Praha 1, Czech Republic.

ENERGO-PRO Green Finance s.r.o. ("EPGF")
EPGF is a limited liability company established on 3 August 2020. The registered address of the Company is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the EPGF is 09385801. The main activity of EPGF is the issuance and management of bonds. These bonds are registered on the Prague Stock Exchange.

2. Summary of Significant Accounting Policies

Basis of preparation. The consolidated financial statements have been prepared in compliance with the requirements of the International Financial Reporting Standards, adopted by the European Union (IFRS, adopted by EU). The reporting framework “IFRS, adopted by the EU” is essentially the defined national accounting basis IAS adopted by the EU, regulated by the Accounting Act and defined in point 8 of its Additional Provisions. The financial statements are drawn in conformity with the principles of historical price.

The preparation of the consolidated financial statements in compliance with IFRS requires implementation of concrete accounting estimates. It also requires that the Management use its own assessment during the implementation of the Group’s accounting policies. The elements of the financial statements, whose presentation includes higher-degree subjective assessment or complexity, as well as those elements, for which the suppositions and estimations have a considerable impact on the financial statements as a whole, are separately disclosed in Note 3.

Management of the Group has complied with all standards and interpretations that are applicable to its activities and officially adopted for use by the EU at the date of preparation of these financial statements.

Management has reviewed the enforced from January 1, 2020 changes to the existing accounting standards and believes that they do not require significant changes to the application in the current year accounting policy.

Going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. The future viability of the Group depends upon the business environment.

The Management has no plans or intentions to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group, therefore, continues to apply the going concern basis in preparing its financial statements.

The Management has performed an analysis of the effects of the coronavirus ("COVID-19”) pandemic, including the expected consequences, risks and uncertainties and an assessment of the financial effects, as well as management's plans and intentions for social and economic measures to reduce the impact of the pandemic.

Furthermore, COVID-19 affected individual customers’ ability to repay the electricity bills in regard of distribution company EPG within EP Group. This fact was partially compensated by the Government of Georgia (GoG) as part of COVID-19 economy support initiative to subsidize water, gas and electricity consumption for March-May 2020 and November 2020-February 2021 for certain categories of individual customers.

As a result of the analysis, the Management has reasonable expectations that the Group has the necessary resources to continue its activities in the foreseeable future.

Management assessment of the Impact of COVID-19 pandemic

During 2021, the Management assessed the situation with regard to the COVID-19 pandemic across the countries, in which it operates, as well as the ways in which it could affect the performance of the business. Situation regarding the COVID-19 pandemic and relevant government responses vary from country to country in which the Group operates. With the introduction of vaccines worldwide, the situation is gradually returning to normal. However, the resumption of infections, including new variants of the virus, cannot be ruled out, which may provoke further government reactions and possibly cause a further significant decline in economic activity.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group a) has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("gain from a bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount, and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Group and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

For Business combinations between entities under common control and also for related contingent consideration from acquisitions under common control, the IAS 37 was applied to measurement and recognition of the contingent consideration.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity.

Transactions with non-controlling interests. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the equity, applying the economic entity approach. Purchases from minority interests result in gains and losses recorded in the equity, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Disposals of subsidiaries. When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the EP Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowances for expected impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

All financial instruments and operations performed by the company are pointed to collect contractual cash flows from sales of electricity. This is a main objective and a regular activity for the company. Historically, the company has never sold its financial instruments. Based on the past experience all financial assets are held in order to collect contractual cash flows and are classified into first business model – Held to collect (H2C).

The company's cash flows from trade and other receivables pass the SPPI test, because there are not any interest rates for these financial instruments. Issued loans also meet the criterion of solely payments of principal and interests, since all interest rates on issued loans are fixed.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Initial recognition and derecognition of financial instruments. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

De-recognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the EP Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Impairment of financial assets carried at amortised cost. IFRS 9 sets out two approaches for recognition of expected credit losses:

General approach:

- For financial instruments in respect of which the credit risk on a financial instrument has not increased significantly since initial recognition, the recognizes the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses;

- For financial instruments in respect of which the credit risk on a financial instrument has increased significantly since initial recognition, the recognised the loss allowance for that financial instrument at an amount equal to lifetime expected credit losses.

Simplified approach:

- For all financial instruments, the recognised loss allowance should equal to lifetime expected credit losses.

With respect to impairment of trade receivables, the Group has used a provision matrix as well as its accumulated experience of credit losses on trade receivables in order to estimate the approximate lifetime expected credit losses of the financial assets.

Future cash flows attributable to a group of financial assets that are collectively measured for impairment are determined on the basis of historical information relating to financial assets with credit risk characteristics similar to those of the group of financial assets.

Offsetting. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Property, plant and equipment ("PPE"). Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is derecognised.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

Depreciation. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Land and buildings	20 – 100
Technical plant and machinery	25 – 45
Other plants, furniture and fixtures	3 – 6
Other fixed assets	5 – 25

The residual value of an asset is the estimated amount that the EP Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leases. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follow:

	Useful lives in years
Land and buildings	20 – 100
Technical plant and machinery	25 – 45
Other plants, furniture and fixtures	3 – 6
Other fixed assets	5 – 25

If ownership of the leased asset transfers to The Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by The Group and payments of penalties for terminating the lease, if the lease term reflects The Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, The Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings and technical plant and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application/based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

IFRS 16 was adopted by the EU on October 31, 2017 and enters into force on January 1, 2019. The Group has applied a simplified retrospective approach without adjustments for prior periods. As the Group has operating leases, in the capacity of a lessee, in connection with IFRS 16, as of December 31, 2021, the Group reported right of use assets in the amount of EUR 7,446 thousand (31 December 2020: EUR 7,483 thousand). An average interest rate of 4.68% was used for the calculation.

The Group does not present lease liabilities separately in the statement of financial position, the lease liabilities are disclosed in the following notes of these in the statement of financial position include those liabilities:

(EUR'000)	**31 December 2021**	**31 December 2020**
Non-Current Financial Liabilities (Note 18)	2,209	3,350
Other Current Liabilities (Note 23)	325	437
Total lease liabilities	**2,534**	**3,787**

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets ("IA"). The Group's intangible assets other than goodwill have definite useful lives and primarily include electricity generation licenses acquired in business combinations. Acquired computer software is capitalised based on the costs incurred to acquire and bring it to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads.

All other costs associated with computer software, e.g., its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Electricity generation licenses	10 – 45 years
Customer lists	10 years
Software licences and software	1 – 7 years
Other operating licences	3 – 7 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period with respect to tax law of each consolidated entity. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses. The Group´s liability for current tax is calculated as a sum of tax liability of each consolidated entity.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded as temporary differences in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Inventories. Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method. Trade receivables represent the unconditional right of the Group to consideration under contracts with customers and other counterparties, i.e. only the passage of time is required before payment of that consideration is due.

Contract asset is the right of the Group to consideration in exchange for the goods or services that it has transferred to the client, but which is not unconditional (accrual of receivables). If, by transferring the goods and / or services, the Group performs its obligation before the client pays the respective consideration and / or before the payment becomes due, the consideration (which is conditional) is recognised as a contract asset. The right to consideration is unconditional if the only condition for the payment to become due is the passage of a certain period of time. Applying a certain methodology, the Group reports as customer contract assets, the accrued amount of electricity volumes delivered to customers, which is not actually measured at the end of the reporting period.

Contract liabilities. The payments received by the client and / or the unconditional right to receive payment before the Group has performed its obligations under the contract are presented as contract liabilities. Contract liabilities are recognised as income when (or as) the Group meets its obligations to perform under the contract.

Contract assets are presented together with trade receivables in the balance sheet, due to the same nature of assets. They are included in the group of current assets when their maturity is within 12 months and / or are from the normal cycle of the Group, and the rest - as non-current. Assets and liabilities arising from a single contract are presented net in the balance sheet, even if they result from different contractual obligations to perform. Contract liabilities are presented separately from Trade and other payables.

Subsequent to initial recognition, trade receivables are reviewed for impairment in accordance with the requirements of IFRS 9.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in non-current assets. The assigned receivables that were subsequently reclassified as a provided loan are presented by the Group as a part of the cash-flow from investing activities.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in Note 32.

Dividend distribution. The distribution of dividends is recognised as liability in the financial statements for the period in which it is approved by the shareholders of the Group.

Value added tax. Output value added tax related to sales is payable to tax authorities upon delivery of the goods to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at average funding cost on entity level (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Provisions. Provisions are determined by the present value of expected costs to settle the obligation using a pre-tax rate that reflects the assessment of the current state of the market value of money and risks specific to the liability. Increases in allowance as a result of time are recognised as interest expense.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the subsidised items. Government grants relating to costs are deferred and recognised in profit or loss for the year over the period necessary to match them with the costs that they are intended to compensate.

Related parties. For the purposes of these financial statements all shareholders, their associated and subsidiary companies, managers and members of the management bodies, as well as their family members are treated as related parties. In the ordinary course of business the Group enters into related parties transactions. Detailed information for these transactions is presented in Note 6.

Foreign currency translation. The functional currency of each of the DKHI Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Czech Crown ("CZK") and the DKHI Group's presentation currency is the EURO ("EUR"). EUR as the presentation currency is used because Group operates mainly inside Europe and the results presented in EUR are more comprehensible for financial institutions and business partners.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the National Banks (NB) of the country where each entity operates at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NB are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The currencies in which most of the transactions are denominated are:

EUR – Euro
CZK – Czech Crown
USD – US Dollar
BGN – Bulgarian Leva
GEL – Georgian Lari
TRY – Turkish Lira

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognised in the consolidated profit or loss.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); equity is translated at the historical rate; and all resulting exchange differences are recognised in equity (translation reserve) and other comprehensive income.

When control over a foreign operation is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Rounding of amounts. All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Revenue recognition. Revenues include the fair value of consideration received or receivable payments or remuneration for goods and services sold in the normal course of business of the Group. Revenues were down from a net value-added tax.

IFRS 15 introduces the model of the 5 steps for revenue recognition, whereby the underlying principle is that revenue is recognised as a result of the transfer of the promised goods and services to the client to the extent that it reflects the remuneration, which the entity expects to have in return for those goods and services.

The Group bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each agreement.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue from sale of electricity

Domestic sale of electricity is recognised based on metered or estimated usage of power by customers and calculated according to the enacted tariffs. Export sale and transit of electricity is recognised based on metered transfer of power and calculated according to the contractual tariffs.

(b) Revenue from sales of services

Revenue from sales of services compromise of the following services:

- Connection fees - consists of charges received from customers and recognised immediately at the time of initial connection (without fixed period) to the electricity network system
- Other – such as charges to reconnect customers, checking of electrical devices and other.

Sales of other services are recognised when the service is rendered. The Group transfers control over the services over time and therefore satisfies the obligation to perform and recognises revenue over time.

In respect with IFRS 15, the Group has reviewed the contracts concluded for connection of new customers to the electricity grid and considers that they are not in compliance with the IFRS 15 criteria for the transfer of control over services over the time and hence does not meet the obligation to implement and recognise revenue over time.

Regarding the relationship with customers under connection agreements, the Group's understanding is that the advance payment received from these customers represents the cash received and the corresponding contractual obligation, as defined in IFRS 15, and revenue is recognised after the specified obligation for execution is fulfilled.

(c) Revenue from sale of grid components for electricity distribution

Grid components in the electricity sale price defined by the Regulator comprise of transmission fee and access fee.

Some of the entities in the Group operate the gird and provide distribution directly (distribution companies), other entities do not provide distribution but sale (trading companies) but charge the end customers with both fees for distribution and for the distributed energy.

Until initial application of IFRS 15, the revenues of grid components in the electricity sales price are recognised in profit and loss on monthly basis after the measurement of electricity used by clients.

IFRS 15 specifies that when another party is involved in providing goods or services to a customer, the entity should determine whether the other party is acting as a principal or as an agent. The principal controls the promised goods or services before they are transferred to the client.

IFRS 15 provides the following indications for the designation of an agent that is deemed not to control the goods or services before being transferred to the client.

When an entity acts as a principal, revenues are recognised as the gross amount of the consideration payable. By contrast, the agent only recognises a commission or a fee.

The Group concludes that these indicators provide further evidence that it does not control the specified goods before they are transferred to the customers. As part of reaching that conclusion, the Group considers the following indicator:

- the supplier is not primarily responsible for fulfilling the promise to provide the goods to the customer. The Group is neither obliged to provide the goods if the supplier fails to transfer the goods to the customer, nor responsible for the acceptability of the goods;

- the Group does not take inventory risk at any time before or after the goods are transferred to the customer. The Group does not commit itself to obtain the goods from the supplier before the goods are purchased by the customer and does not accept responsibility for any damaged or returned goods;

- the Group does not have discretion in establishing prices for the supplier's goods. The sales price is set by the supplier.

In respect to the IFRS 15, distribution companies of EPV who trade with electricity (ElectroNorth) have reviewed the contracts concluded for grid components – transmission, access fee, and consider that they are acting as an agent. From January 1, 2018, the Group does not report revenue and (costs) for grid components.

d) Revenue from customer contracts

Revenues are broken down into operating and financial revenues. Revenue from contracts with customers is recognised in the income statement on the basis of the provisions of the individual sales contract with the customer upon transfer of control of the product and service to the customer in an amount that reflects compensation for which the company and the group considers eligible for such products and services.

A five-step model is used to recognise revenue from contracts with customers:

1. definition of the contract with the buyer,
2. definition of enforcement obligations in contracts,
3. determination of the transaction price,
4. the allocation of the transaction price to the enforcement obligations; and
5. recognition of revenue when the enforcement obligation is met.

Revenue is recognised when the company meets its enforcement obligation. This is when a company transfers control of a product or service to a customer. Control means that the customer can direct the use of the asset and receive all the significant benefits from the asset and can also prevent others from using and receiving the benefit from the asset.

The transfer of control may occur at a particular time or period. For contracts that are performed over a longer period of time, revenue is recognised gradually over the period of performance but only if one of the following criteria is met:

- the buyer simultaneously accepts and consumes the benefits of the company's implementation during the implementation itself

- the enterprise's performance creates or increases an asset (eg work in progress) that the customer controls during the creation or expansion

- the performance of the enterprise does not create an asset that the enterprise can use for other purposes and the enterprise has a recoverable right to payment for the performance completed so far.

If, in accordance with the above provisions, individual contracts / projects meet the condition of a specific product and the company, in case of termination of the contract by the buyer, is entitled to payment for work performed, which includes a reasonable profit, revenue under contracts with customers is recognised gradually (over time).

Gradual recognition of revenue is carried out at the stage of completion. The input method, which is based on the costs actually incurred in relation to the estimated costs of completing the project, is used to measure completion.

In all other cases, revenue is recognised immediately, ie upon delivery of the product or services provided, which represent the fulfillment of an individual enforcement obligation. The enforcement obligation is linked to the fulfillment of a milestone, which represents the deadline for the delivery of equipment or services provided, set by the buyer / investor.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Revenues from penalty interest for late payment of bills for electricity consumed is recognised at the time of payment of the principal.

(f) Financial income under a corporate guarantee contract

The Group classifies its receivable under a contract for the provision of corporate guarantees as a financial asset because a company from the Group has become a party to a contractual arrangement and as a consequence has the legal right to receive cash. The financial income under the corporate guarantee agreement is rescheduled for the entire term of the contract and subsequently recognised in profit and loss proportionally over time.

Barter transactions and mutual cancellations. A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter), cancellation of mutual balances or through a chain of non-cash transactions involving several companies.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the consolidated cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

Employee benefits. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

(a) Defined contribution retirement plan

The Group does not manage obligatory or voluntary pension funds. Payment of retirement pensions is an obligation of the countries where the Group operates. In accordance with statutory requirements, the Group pays personal income tax and social security contributions, as well as contributions to the pension funds governed by those countries. These expenses are recognised in profit or loss. Once such contributions are made, the Group has no further obligations.

(b) Defined benefit obligations

The valuation of the long-term payables to employees (a lump-sum paid upon retirement) is performed using the unit credit method. The valuation is performed by actuaries, as of the balance sheet date. The payable, recognised in the balance sheet represents the net present value of the payments, as well as any actuarial corrections and expenses for previous employment. The actuary gains and losses, resulting from practical adjustments and changes of the actuary suppositions, are recognised in Other comprehensive income.

Performance Measures of the Group. In order to ensure a fair presentation of the Group's operations, the Group uses Performance measures of the Group that are not defined in IFRS or in the Local Accounting GAAPs. The Performance measures of the Group are described below, including their definitions and how they are calculated. The Performance measures of the Group used are unchanged compared with earlier periods.

(a) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA is specified as a non-gaap measure in these Consolidated financial statements (there is no IFRS standard for EBITDA specification). The Group considers EBITDA to be an important indicator of its economic performance. EBITDA is calculated as total revenues minus certain operating expenses, as shown in Consolidated Statement of Comprehensive Income.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use or fair value less cost to sell calculations. These calculations require the use of estimates as further detailed in Note 8.

Initial recognition of related party transactions. In the normal course of business, the Group enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 6.

Revenue from sale of electricity. Revenue from sale of electricity is recognised in profit or loss on a monthly basis after measuring the electricity provided to the customers. As the energy meters reading may not be carried out for all customers covering exactly the calendar month, the Group makes the calculation to accrue the revenue from energy supply for the period. Calculations consider past historical data about electricity supply and demand for the short term forecasted.

Impairment of accounts receivable. The Management has made an estimation of the volume and timing of expected future cash flows that relate to accounts receivable in the following groups: individually accounts, households and other small customers and receivables under litigation. Due to the inherent uncertainty in this assessment, actual results may differ from expected. The Group's management reviews the estimates from previous years and actual results of the previous year.

With regard to the initial application of IFRS 9, the Group has used its accumulated experience of credit losses and has taken into account current conditions and forecasts to reliably estimate the expected credit losses on its trade receivables.

Impairment of inventories. Management has estimated the inventory impairment by comparing the carrying amount and their probable net realizable value in assessing the moral and technical obsolescence of inventory items. Due to the inherent uncertainty of this assessment, actual results may differ from expected. Management reviews the estimates from previous years and the actual results of the previous year.

Provisions. The Management uses significant accounting estimates and judgments in determining the amount of provisions.

(a) Grid access fee provision

The calculation of the provision is based on a methodology given by the Regulator, taking into account the estimated value of the respective assets and the electricity consumption of the supplied customers. It covers potential customer claims for compensations related to the past 3-year period.

There is uncertainty incorporated in the calculation of the grid fee provision about the number of customers that might claim this compensation and once claimed about the outcome of the court case. The Group has estimated for all facilities that it is aware they are in use, that it is more likely than not that the amounts will be claimed, and the customers will possibly win in court.

(b) Provision for legal claims

Management assesses the risk of Group's losing legal claims. The estimates are updated periodically to reflect changes in all legal claims and circumstances in regard with them.

c) Provision for energy efficiency

EP Group's company the EPV is on the list of obligated persons under the Energy Efficiency Act (EEA) and have individual goals for energy savings. The EPV recognises a provision in connection with its obligation to meet these individual objectives.

Determining the useful life of PPE. The Management reviews the useful life of tangible and intangible assets and its potential increase or decrease based on regular observations and assessments carried out by the technical team.

In accordance with the policy for impairment of non-financial assets, the Group annually assesses the indicators for impairment of PPE. The evaluation includes an analysis of external factors, financial indicators for the year and other activity-specific indicators. In the presence of PPE impairment indications, the Group performs an impairment test that includes the determination of the recoverable amount of cash-generating units (CGU), based on a calculation of their value in use.

Retirement benefit obligations. The present value of the retirement benefit obligations in income depends on several factors, which are defined on the basis of actuarial valuation, using different assessments such as number of salaries defined in Collective labour agreement, their increase and other. Estimates used to determine the net expense / (income) for the benefits at retirement include the discount factor.

Any change in these estimates will affect the carrying amount of retirement benefits obligations. At the end of each year, the Group determines appropriate discount factor. This the interest rate should be used to determine the present value of estimated future outflows needed to meet the obligations of such benefits.

In determining the appropriate discount factor, the Group takes into account the rate of government bonds ("GB") with 10-year maturity, issued by the local govermnments, denominated in the currency in which the income would be paid and terms to maturity similar to the terms of the obligations under the pension income. Since the average retirement term is longer than 10 year, the actuary provides an extrapolation of the data for the effective annual benefit of government bonds.

Leases. Determining the lease term of contracts with renewal and termination options – the Group as lessee.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Leases - estimating the incremental borrowing rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2021.

The nature and effect of the significant changes as a result of adoption of these new accounting standards are described below:

IFRS 16 COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.

There is no substantive change to other terms and conditions of the lease. These amendments had no impact on the financial statements of the Group.

IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. These amendments had no impact on the financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. These amendments have no impact on the financial statements of the Group.

Standards issued but not yet effective and not early adopted up to the date of issuance of the Group's financial statements are listed below:

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is expected to have no impact on the financial statements of the Group.

IFRS 17: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. These amendments are expected to have no impact on the financial statements of the Group.

IFRS 17: Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments)

The amendment is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted respectively with IFRS 17. For entities that first apply IFRS 17 and IFRS 9 at the same time, the amendment adds a transition option for a "classification overlay", relating to comparative information of financial assets. An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Also, in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. These amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments were initially effective for annual reporting periods beginning on or after 1 January, 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

These amendments are expected to have no impact on the financial statements of the Group.

IFRS 16 Leases-COVID 19 Related Rent Concessions beyond 30 June 2021 (Amendment)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This amendment is expected to have no impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

5. Prior period restatements and reclassifications

Prior period omissions and errors. The Group corrects prior period material omissions and errors retrospectively in the financial statements upon their discovery by restating the comparative amounts for the prior period presented in which the omission and error occurred and if the error occurred before the earlies prior period, then restating the opening balances of those respective assets, liabilities and equity for the earlier prior period.

Prior period reclassifications. Certain reclassifications have been made to the financial statements as at 31 December 2020 to conform to the presentation as at 31 December 2021. Reclassifications have affected the consolidated statement of financial position for the year ended 31 December 2020 but have not affected the consolidated statement of financial position as at 1 January 2020.

Management has identified and retrospectively corrected errors and made reclassifications in respect of the following line items of the statements of financial position:

(EUR '000)	Note	As reported 31 December 2020	Effect of restatement	As restated 31 December 2020	Reference
Assets:					
Property, plant and equipment		908,472	38,713	947,185	**A**
Other intangible assets		31,775	6	31,781	**A**
Deferred tax assets		14,307	(6,870)	7,437	**B**
Equity:					
Translation reserve		(219,838)	(3,950)	(223,788)	**A**
Retained earnings		(107,531)	35,799	(71,732)	**A**

Management has identified and retrospectively corrected errors and made reclassifications in respect of the following line items of the statements of profit or loss and other comprehensive income:

(EUR '000)	As reported for the 12 month period ended 31 December 2020	Effect of restatement	As restated for the 12 month period ended 31 December 2020	Reference
Depreciation and amortization expense	(54,259)	1,921	(52,338)	**A**
Impairment (loss)/Reversal of impairment loss	-	218	218	**A**
Finance costs	(189,219)	41,383	(147,836)	**A**
Deferred taxes	10,996	(7,723)	3,273	**A,B**
Currency translation differences	(69,234)	(3,950)	(73,184)	**A**

A. In 2021, the company Murat and Bilsev identified an error in the calculation of capitalised borrowing costs as of 31 December 2020. According to IAS 23, Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. The companies have used their borrowings for construction. The companies have functional currency Turkish Liras in the construction period, the companies should capitalise interest from borrowings and foreign exchange losses. In the calculation of capitalized borrowing costs dated 31 December 2020, the operations date of HPPs was used 31 December 2019 incorrectly. After the recalculation with the correct date, 31 December 2020, the companies have recognised that financial costs were overstated as of 31 December 2020.

B. After changes in macroeconomic conditions, the company Murat revisited the deferred tax assets recognised and concluded that as of the opening balance sheet date there is no sufficient evidence to conclude that the Company will generate taxable profit over the foreseeable future. Accordingly, management concluded that it was not probable that those deferred tax assets will be realized so derecognized all deferred tax assets that were previously recognised.

6. Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party could control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As of 31 December 2021, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholder	Entities under common control
Other liabilities to shareholder	23	44,893	-

As of 31 December 2020, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholder	Entities under common control
Other liabilities to shareholder	23	44,590	-

Other current liabilities to the shareholder amounting to EUR 44,893 thousand as of 31 December 2021 (31 December 2020: EUR 44,590 thousand) are liabilities to the owner of the company, Mr. Jaromir Tesar. Liabilities to the shareholder of the company have a flexible date of maturity, and their repayment is not planned in the following year 2022 (Note 17). In 2020, the owner of the company decided to capitalize EUR 150,000 thousand.

7. Property, Plant and Equipment

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Right of use	Other fixed assets	Total
Cost or valuation							
1 January 2020	**159,427**	**719,240**	**25,240**	**452,436**	**4,146**	**17,464**	**1,377,953**
Restatement (Note 5)	29,663	4,434	-	2,720	-	-	36,817
Reclassification	30	6,722	26	(141)	-	1,276	7,913
Additions (+)	692	15,610	2,174	136,784	4,195	713	160,168
Transfers (+/-)	343,654	68,922	179	(412,966)	-	211	-
Disposals (-)	(204)	(4,538)	(618)	(445)	(434)	(152)	(6,391)
Difference in rate of exchange	(52,838)	(80,115)	(4,113)	(71,939)	(424)	(1,112)	(210,541)
31 December 2020 Restated	**480,424**	**730,275**	**22,888**	**106,449**	**7,483**	**18,400**	**1,365,919**
Reclassification	644	(469)	(168)	367	(45)	(930)	(601)
Additions (+)	6,108	15,448	1,662	89,329	448	1,979	114,974
Transfers (+/-)	74,755	79,392	1,308	(155,484)	-	29	-
Disposals (-)	(387)	(8,170)	(967)	(98)	(576)	(265)	(10,463)
Difference in rate of exchange	(143,994)	(1,537)	2,115	(2,255)	249	337	(145,085)
31 December 2021	**417,550**	**814,939**	**26,838**	**38,308**	**7,559**	**19,550**	**1,324,744**
Accumulated depreciation							
1 January 2020	**(50,236)**	**(327,316)**	**(14,897)**	**15**	**(1,309)**	**(5,446)**	**(399,189)**
Restatement (Note 5)	1,544	337	14	-	-	1	1,896
Reclassification	(5)	(6,674)	-	-	-	(1,276)	(7,955)
Charge for the year (-)	(6,026)	(40,071)	(2,630)	(13)	(1,403)	(2,235)	(52,378)
Disposals (+)	32	4,047	498	2	22	95	4,696
Impairment loss (-)/Reversal of impairment (+)	218	-	-	-	-	-	218
Difference in rate of exchange	5,288	26,360	2,021	8	154	147	33,978
31 December 2020 Restated	**(49,185)**	**(343,317)**	**(14,994)**	**12**	**(2,536)**	**(8,714)**	**(418,734)**
Reclassification	596	(1,069)	110	-	-	365	2
Charge for the year (-)	(12,424)	(41,303)	(2,415)	(14)	(1,351)	(2,319)	(59,826)
Disposals (+)	139	5,921	686	1	450	731	7,928
Impairment loss (-)/Reversal of impairment (+)	(3,677)	(1,439)	-	-	-	-	(5,116)
Difference in rate of exchange	(808)	(10,061)	(1,187)	(8)	(77)	15	(12,126)
31 December 2021	**(65,359)**	**(391,268)**	**(17,800)**	**(9)**	**(3,514)**	**(9,922)**	**(487,872)**
Net book value							
31 December 2020 Restated	**431,239**	**386,958**	**7,894**	**106,461**	**4,947**	**9,685**	**947,185**
31 December 2021	**352,191**	**423,671**	**9,038**	**38,299**	**4,045**	**9,628**	**836,872**

The year-on-year change in the items Assets under construction and Land and Building is caused mainly of finished projects for the construction of dams and HPPs in Turkey and reconstruction, and rehabilitation projects within EP Group.

Based on the review for impairment of PPE in LTT on the basis of an internal study, the Group's management has established indicators that the carrying amount of assets exceeds their recoverable amount (EUR 5,231 thousand). As of 31 December 2021, no other indicators have been established that the carrying amount of PPE exceeds their recoverable amount and as a result.

8. Goodwill

Movements in goodwill arising on the acquisition of subsidiaries and change in the exchange rate are stated below:

(EUR'000)	31 December 2020	Acquisitions/ Disposals	Exchange differences	Impairment loss	31 December 2021
DK Holding Investments Group (i)	13,585	-	-	-	13,585
ENERGO-PRO Group (ii)	54,837	1,429	(14)	-	56,252
Total carrying amount	**68,422**	1,429	(14)	**-**	**69,837**

(EUR'000)	31 December 2019	Acquisitions/ Disposals	Exchange differences	Impairment loss	31 December 2020
DK Holding Investments Group (i)	13,585	-	-	-	13,585
ENERGO-PRO Group (ii)	61,645	(13)	(6,795)	-	54,837
Total carrying amount	**75,230**	(13)	(6,795)	**-**	**68,422**

Goodwill tables above are comprising from:

(i) DK Holding Investments Group

(a) Berta Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	3,535	3,535
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**3,535**	**3,535**
Exchange differences	-	-
Gross book value at 31 December	3,535	3,535
Impairment loss	-	-
Carrying amount at 31 December	**3,535**	**3,535**

Allocation. Total goodwill is allocated to the Berta as a single cash-generating unit ("CGU") that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU of Berta is determined by calculating the value in use, based on a 46-year period. These forecasts reflect the specifics of the business sector, as well as the most current expectations of the Management for its development during the forecast period. The value of the CGU after the determined forecast period is based on the calculation of its terminal value.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	2020
Discount rate	10.9% p.a.	9.8% p.a.
Growth rate beyond for twenty years	2.0% p.a.	1.9% p.a.

(b) DEL Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	10,050	10,050
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**10,050**	**10,050**
Exchange differences	-	-
Gross book value at 31 December	10,050	10,050
Impairment loss	-	-
Carrying amount at 31 December	**10,050**	**10,050**

Allocation. Total goodwill is allocated to the DEL as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations. This calculation uses cash flow projection based on financial forecasts prepared by management covering a fifteen-year period. Cash flows beyond the fifteen-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculation to which the recoverable amount is most sensitive were:

	2021	2020
Annual sales growth	2.1% p.a.	2.0% p.a.
Pre-tax discount rate	6.8% p.a.	6.4% p.a.

(ii) ENERGO–PRO Group

Movements in goodwill arising on the acquisition of subsidiaries and change in the exchange rate are stated below:

(EUR'000)	31 December 2020	Acquisitions/Disposals	Exchange differences	Impairment loss	31 December 2021
EPB (a)	24,849	-	-	-	24,849
EPGG (b)	17,140	-	2,541	-	19,681
OPPA (c)	5,836	-	-	-	5,836
RH (d)	6,660	-	(2,574)	-	4,086
EP Colombia (e)	-	1,429	(33)	-	1,396
EPG (f)	352	-	52	-	404
Carrying amount	**54,837**	**1,429**	**(14)**	**-**	**56,252**

(a) EPB Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	24,849	24,862
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**24,849**	**24,862**
Acquisitions/ Disposals	-	(13)
Exchange differences	-	-
Gross book value at 31 December	24,849	24,849
Impairment loss	-	-
Carrying amount at 31 December	**24,849**	**24,849**

Allocation. All goodwill is allocated to EPB as a single cash-generating unit ("CGU") that is expected to benefit from the synergies of the respective business combinations.

Impairment test. Annually in order to assess the reimbursable value of the goodwill formed upon acquisition of hydrotechnical and hydropower plants to the amount of EUR 24,849 thousand (BGN 48,600 thousand), the EPB used an external assessor possessing the respective qualification and experience. Upon reporting the specifics of valued assets, a "value in use" was determined for the purposes of the assessment. The value in use is the current value of future cash flows, as expected from an asset or a unit generating cash flows. The value in use reflects reasonable and argumented assumptions of EPB's Management regarding the economic conditions expected to be present during the remaining economic life of the asset. The economic life of the assets is predetermined by the license duration. It was assumed that the company will extend the license term. Thus, the economic life of the assets is assumed to be infinite. The income approach was applied in order to deduct the value in use of the manufacturing properties, machinery and installations together with their adjoining goodwill. This amount, as set based on an income approach for deduction to the amount into use, maintains the value of the goodwill, and there was no impairment identified.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	**2020**
Discount rate	5.60% p.a.	5.65% p.a.
Terminal growth rate	0.57% p.a.	0.57% p.a.

(b) EPGG Goodwill

(EUR'000)	**31 December 2021**	**31 December 2020**
Gross book value at 1 January	17,140	21,486
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**17,140**	**21,486**
Exchange differences	2,541	(4,346)
Gross book value at 31 December	19,681	17,140
Impairment loss	-	-
Carrying amount at 31 December	**19,681**	**17,140**

Allocation. Total goodwill is allocated to EPGG as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations split between generation and distribution companies as this is how they will operate in future. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	**2020**
Annual sales growth	6.8% p.a.	15.7% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.
Discount rate	15.4% p.a.	15.4% p.a.

(c) OPPA Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	5,836	5,836
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**5,836**	**5,836**
Exchange differences	-	-
Gross book value at 31 December	5,836	5,836
Impairment loss	-	-
Carrying amount at 31 December	**5,836**	**5,836**

Allocation. All goodwill is allocated to OPPA as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	2020
Discount rate	16.7% p.a.	16.7% p.a.
Growth rate beyond three years	3% p.a.	3% p.a.

(d) RH Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	6,660	9,020
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**6,660**	**9,020**
Exchange differences	(2,574)	(2,360)
Gross book value at 31 December	4,086	6,660
Impairment loss	-	-
Carrying amount at 31 December	**4,086**	**6,660**

Allocation. The goodwill was allocated to RH as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a ten-year period. The economic life of the assets is predetermined by the license duration. It was assumed that the company will extend the license term. Thus, the economic life of the assets is assumed to be infinite.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	2020
Discount rate	16.4% p.a.	16.4% p.a.
Growth rate beyond ten years	1.0% p.a.	1.0% p.a.
Annual sales growth within the ten years	3.0% p.a.	3.0% p.a.

(e) EP Colombia Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	1,429	-
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**1,429**	**-**
Exchange differences	(33)	-
Gross book value at 31 December	1,396	-
Impairment loss	-	-
Carrying amount at 31 December	**1,396**	**-**

Allocation. Total goodwill is allocated to EP Colombia as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations split between generation and distribution companies as this is how they will operate in future. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	2020
Discount rate	10.0% p.a.	-
Growth rate beyond ten years	2.0% p.a.	-
Annual sales growth within the ten years	2.0% p.a.	-

(f) EPG Goodwill

(EUR'000)	31 December 2021	31 December 2020
Gross book value at 1 January	352	441
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**352**	**441**
Exchange differences	52	(89)
Gross book value at 31 December	352	352
Impairment loss	-	-
Carrying amount at 31 December	**404**	**352**

Allocation. Total goodwill is allocated to EPG as a single CGU that is expected to benefit from the synergies of the respective business combinations.

Impairment test. The recoverable amount of CGU was determined based on value-in-use calculations split between generation and distribution companies as this is how they will operate in future. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2021	2020
Annual sales growth	6.5% p.a.	6.5% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.
Discount rate	15.4% p.a.	15.4% p.a.

9. Other Intangible Assets

Movements in the carrying amount of intangible assets in the year 2021 and 2020 were as follows:

(EUR'000)	Electricity generation licenses	Software	Customer list	Research & Development ("R&D")	Assets under construction	Other	Total
Cost or valuation 1 January 2021	**39,668**	**5,520**	**19,158**	**5,003**	**6**	**1,313**	**70,668**
Reclassification	16	1	-	-	8	(17)	8
Additions (+)	268	470	-	-	61	164	963
Transfers (+/-)	25	7	-	-	(32)	-	-
Disposals (-)	(10)	(14)	-	-	-	(29)	(53)
Difference in rate of exchange	(10,081)	171	-	-	1	167	(9,742)
31 December 2021	**29,886**	**6,155**	**19,158**	**5,003**	**44**	**1,598**	**61,844**
Accumulated depreciation 1 January 2021	**(12,066)**	**(3,433)**	**(19,055)**	**(3,800)**	**-**	**(533)**	**(38,887)**
Reclassification	7	(7)	-	-	-	-	-
Charge for the year (-)	(1,049)	(216)	(53)	(322)	-	(163)	(1,803)
Disposals (+)	9	13	-	-	-	32	54
Impairment loss (+/-)	-	-	-	-	-	-	-
Difference in rate of exchange	2,545	(100)	-	1	-	(60)	2,386
31 December 2021	**(10,554)**	**(3,743)**	**(19,108)**	**(4,121)**	**-**	**(724)**	**(38,250)**
Net Book Value 31 December 2021	**19,332**	**2,412**	**50**	**882**	**44**	**874**	**23,594**

(EUR'000)	Electricity generation licenses	Software	Customer list	Research & Development ("R&D")	Assets under construction	Other	Total
Cost or valuation 1 January 2020	**48,645**	**5,014**	**22,920**	**5,005**	**234**	**1,198**	**83,016**
Restated (Note 5)	-	1	-	-	-	-	1
Reclassification	(573)	541	-	-	1	23	(8)
Additions (+)	555	143	-	-	6	386	1,090
Transfers (+/-)	148	87	-	-	(235)	-	-
Disposals (-)	(6)	(30)	(3,762)	-	-	(45)	(3,843)
Difference in rate of exchange	(9,101)	(236)	-	(2)	-	(249)	(9,588)
31 December 2020 Restated	**39,668**	**5,520**	**19,158**	**5,003**	**6**	**1,313**	**70,668**
Accumulated depreciation 1 January 2020	**(13,587)**	**(2,784)**	**(22,762)**	**(3,464)**	**-**	**(505)**	**(43,102)**
Restated (Note 5)	(9)	7	-	-	-	7	5
Reclassification	529	(497)	-	-	-	(20)	12
Charge for the year (-)	(1,037)	(332)	(53)	(336)	-	(123)	(1,881)
Disposals (+)	6	29	3,760	-	-	26	3,821
Impairment loss (+/-)	-	-	-	-	-	-	-
Difference in rate of exchange	2,032	144	-	-	-	82	2,258
31 December 2020 Restated	**(12,066)**	**(3,433)**	**(19,055)**	**(3,800)**	**-**	**(533)**	**(38,887)**
Net Book Value 31 December 2020 Restated	**27,602**	**2,087**	**103**	**1,203**	**6**	**780**	**31,781**

According to the provisions of IAS 36 Impairment of assets at the end of each reporting period impairment test is carried out as to establish whether there is any indication that an individual asset of the intangible assets may be impaired. If there is any indication that an asset may be impaired, recoverable amount and the impairment loss shall be estimated for the individual asset. The Group has a fully amortized intangible asset that is still in use in the amount of EUR 19,108 thousand as of 31 December 2021 (31 December 2020: EUR 19,055 thousand).

As of 31 December 2021, and 31 December 2020, no indicators have been established that the carrying amount of intangible assets exceeds their recoverable amount and as a result, no impairment loss has been recognised in the financial statements.

10. Non-current and Current Issued Loans

(EUR'000)	31 December 2021	31 December 2020
Non-current portion of issued loans:		
Bank deposits	183	1,248
Other	1	357
Total non-current portion of issued loans	**184**	**1,605**
Current portion of issued loans:		
Terestra	2,561	207
Taurus Konsult EOOD	780	577
Other	399	473
Total current portion of issued loans	**3,740**	**1,257**
Total issued loans	**3,924**	**2,862**

Movements in issued loans were as follows:

(EUR'000)	2021	2020
As at 1 January	**2,862**	**2,612**
Interest income accrued during the year (+)	71	245
Loans issued during the year (+)	3,706	574
Principal repayments (-)	(2,689)	(273)
Interest received during the year (-)	(10)	(52)
Exchange rate difference	(16)	(244)
As at 31 December	**3,924**	**2,862**

11. Non-current Financial Assets and Prepayments for an acquisition of investments

(EUR'000)	31 December 2021	31 December 2020
Investment fund	1,154	-
Restricted bank deposit (i)	60	1,227
Other	2,121	1,643
Total non-current financial assets	**3,335**	**2,870**

(i) The bank deposits of RH and EPToptan as at 31 December 2021 and 31 December 2020 are pledged for guarantee letters given to electricity distribution companies to Energy Market Regulatory Authority (''EMRA'') and to the banks.

Prepayments for an acquisition of investments

In June 2021, EPV and Frisardi EOOD had concluded a Preliminary agreement for a transfer of real estate / investments in the amount of EUR 7.2 million. EPV had paid in advance the amount of EUR 6.1 million.

In February 2022, Frisardi EOOD has established a new company FreeSol EOOD through a non-monetary contribution and subject of activity: the real estate, which was concluded in the above Preliminary agreement. In March 2022, EPV and Frisardi EOOD have concluded a contract for the transfer of a 100% of FreeSol EOOD's shares. With this last contract, the prior obligations of the two companies to sign a final agreement have been executed.

12. Inventories

(EUR'000)	31 December 2021	31 December 2020
Work in progress	14,256	13,195
Prepayments for inventories	5,236	5,407
Material and raw material	3,648	4,283
Electrical equipment	4,310	3,509
Cables and wires	3,498	2,786
Spare parts	1,860	1,776
Tools and bolts	1,930	1,383
Inventory related to Paybox Installation	1,108	562
Scrap & Damaged Inventory	401	507
Other	2,799	2,179
Less: provision for obsolete and slow-moving inventories	(2,068)	(2,046)
Total inventories	**36,978**	**33,541**

(i) The item Other is mainly related to Oil and lubricants, Overalls and special clothes and Other spare parts.

Movements in inventories were as follows:

(EUR'000)	2021	2020
As at 1 January	**33,541**	**42,189**
Purchase of inventories (+)	42,315	32,066
Own production of inventories (+)	2,496	2,065
Payment of prepayments for inventories (+)	17,538	4,973
Inventory differences (+/-)	777	1,325
Capitalisation of inventories (-) (i)	(17,745)	(15,205)
Use of prepayments for inventories (-)	(18,189)	(12,654)
Sale of inventories (-)	(24,819)	(22,333)
Exchange rate difference	1,864	(1,413)
Impairment for inventories - additions (-) / release (+)	(800)	2,528
As at 31 December	**36,978**	**33,541**

(i) The item Capitalisation of inventories (-) is related to EPG and EPV. The item represents the credit movement and includes materials useful for routine repairs, investment projects available and the cost of fuel and other material costs.

13. Trade and Other Receivables

(EUR'000)	31 December 2021	31 December 2020
Distribution to households	35,749	24,603
Distribution to commercial sector	31,273	24,006
Short-term account receivable	14,261	19,360
Receivables from transmission	2,862	2,303
Receivables from export sales	251	1,729
Receivables from electricity trading	-	1,561
Rent deposit	87	80
Other trade receivables	8,101	6,500
Less: provision for impairment	(11,036)	(11,868)
Total trade receivables	**81,548**	**68,274**
Guarantee deposits	21,052	4,218
Restricted bank deposit	464	594
Deposits granted	42	28
Other	1,385	610
Total trade and other receivables	**104,491**	**73,724**

Movements in the impairment provision for trade and other receivables are as follows:

(EUR'000)	2021	2020
Provision for impairment at the beginning of the period	**11,868**	**18,686**
Impairment charge	2,590	1,933
Reversal of impairment during the year	(2,758)	(5,498)
Amounts written off during the year as uncollectible	4	(2,485)
Exchange rate difference	(668)	(768)
Provision for impairment at the end of the period	**11,036**	**11,868**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	31 December 2021	31 December 2020
Total neither past due not impaired:	**57,006**	**44,855**
Past due but not impaired		
- less than 30 days overdue	7,198	7,403
- 31 to 90 days overdue	5,071	10,123
- 91 to 180 days overdue	6,312	812
- over 181 days overdue	6,325	5,089
Total past due not impaired	**24,906**	**23,427**
Past due and impaired		
- current and impaired	28	18
- less than 30 days overdue	200	27
- 31 to 90 days overdue	339	252
- 91 to 180 days overdue	517	222
- over 181 days overdue	9,588	11,341
Total past due and impaired	**10,672**	**11,860**
Less: provision for impairment	(11,036)	(11,868)
Total current trade receivables, net	**81,548**	**68,274**

14. Cash and Cash Equivalents

(EUR'000)	31 December 2021	31 December 2020
Cash on hand	58	69
Cash with banks:		
- EUR denominated	54,426	30,753
- GEL denominated	9,314	7,942
- USD denominated	7,514	2,653
- CZK denominated	5,572	5,842
- BGN denominated	2,789	1,878
- CAD denominated	854	1,038
- TRY denominated	252	5,421
- Other currencies denominated	2,441	1,190
Total cash and cash equivalents	**83,220**	**56,786**
- of which EUR denomited Restricted cash (i)	15,997	15,910

(i) This amount represents the cash proceeds of ALPASLAN-II Project financing (Note 21) held in a segregated account of Murat Nehri with HSBC Bank London. The release of this cash is subject to a number of conditions and its use is restricted to funding expenses relating to the construction of the ALPASLAN-II Project.

15. Other Current Assets

(EUR'000)	31 December 2021	31 December 2020
Advance payments (i)	12,700	5,799
Deferred VAT ((ii)	12,687	9,121
Compensation from Ministry of Energy (iii)	11,019	-
Value-added tax ("VAT") receivables (i)	8,456	19,363
Prepaid insurance	2,848	2,766
Restricted cash	1,598	-
Deferred expenses	527	453
Other	4,581	1,670
Total other current assets	**54,416**	**39,172**

(i) Items Advance payments and VAT receivables consist mainly prepaid construction payments connected for the construction of dams and HPPs and reconstruction, and rehabilitation projects within DKHI Group.

(ii) Deferred VAT consists of prepaid taxes and funds and receivables from tax office.

(iii) As disclosed in Note 2, in regard of EPV, the Council of Ministers in Bulgaria decided on 30 December 2021 (Protocol No 893) to compensate in full the grid companies for the period 1 July 2021 – 31 December 2021 for the deviation in the average monthly price of the "Day ahead" on the free electricity market, as reported by IBEX the set forecasted price by EWRC to 67.12 EUR / MWh (131.27 BGN/MWh). The Group reports the compensation from the Ministry of Energy in Bulgaria as a reduction in the technological losses in the amount of EUR 14,172 thousand (BGN 27,718 thousand). As of 31 December 2021, the receivable from Ministry of Energy in Bulgaria amounts to EUR 11,019 thousand (BGN 21,552 thousand).

16. Share Capital

The Company has authorized share capital of EUR 7 thousand (CZK 200 thousand) as of 31 December 2021, and as of 31 December 2020.

17. Retained Earnings (Losses) and Other Reserves

Part of retained earnings according to the statutory financial statements is available for distribution subject to the legal reserve requirement and subject to restrictive covenants contained in the Terms and Conditions of the Bonds.

The Group recorded negative Total Equity which mainly resulted from: (i) The increase in the loss from the Translation reserve is mainly due to the depreciation of the Turkish lira („TRY") against the Euro between the year 2021 and 2020, and (ii) the increase in Retained losses. Despite significantly higher positive EBITDA in the year 2021 in comparison to the year 2020, the Group recorded an increase in finance costs which had the most significant impact on the recorded consolidated Net loss, and which entered the Retained Earnings (Losses) and Other Reserves. Finance costs were mainly impacted by unrealised foreign exchange rate losses which comes mainly from our Turkish entities also in relation to the depreciation of the Turkish lira against the Euro. The Group's management prepared this assessment of the going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of the business especially in the mentioned Turkish companies. These conditions have been identified and no material uncertainty exists due to fact that management is of opinion that the Group will be able to generate adequate cash flows, based on attached valuations from external advisors. Since operations and revenue generation started mainly in the second quarter of 2021 on new hydropower projects launched by Murat Nehri and Bilsev Enerji, and in line with the repayment of borrowings, financial costs are expected to decrease and profitability of the Turkish companies is expected to improve.

In connection with negative Total Equity, the Management has assessed the adequacy of its cash and cash equivalents for the following periods to cover the debt service and operating expenses and the related planned income. The Management has assessed that there are no threats and risks in regard to the covenants which the

Group has to comply with based on the conditions of its borrowings. All these facts were evaluated by the Management as sufficient to continue in its business based on going concern assumption in the future also with consideration of the negative Total equity.

The item Retained Earnings (Losses) and Other Reserves as of 31 December 2021, and 31 December 2020 includes EUR 21,978 thousand related to a capitalisation of 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. (Note 23)

18. Non-current Financial Liabilities

(EUR'000)	31 December 2021	31 December 2020
Financial lease liabilities	2,209	3,350
Other	897	633
Total non-current financial liabilities	**3,106**	**3,983**

19. Other Non-current Liabilities

(EUR'000)	31 December 2021	31 December 2020
Long-term liabilities arising from the acquisition of the company EPas (i)	8,362	8,002
Liabilities for professional services	6,500	-
Government grants (ii)	1,443	1,313
Other	1,248	1,816
Total other non-current liabilities	**17,553**	**11,131**

(i) The amount represents the obligation arising from the payment of the purchase price for the purchase of the share in EPas. This liability has a maturity date in 2026.

In 2018, the Company capitalised 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. (Note 17,23).

(ii) Government grants are received in the form of transfer of non-monetary assets such as land and electricity equipment. The government grants are related to the company EPG. The EPG has a number of government grants where it has fulfilled the commitment of rehabilitation and has an obligation of maintenance and security of the granted property. This obligation is borne by the EPG by the terms of the electricity distribution license.

20. Non-current and Current Provisions

Analysis of the provisions:

(EUR'000)	31 December 2021	31 December 2020
Non-current:		
Retirement benefits (e)	4,517	4,553
Grid access fee provision (a)	3,463	3,677
Provisions for guarantees given (g)	1,844	1,695
Other non-current provisions (d)	762	1,084
Total Non-current Provisions	**10,586**	**11,009**
Current:		
Legal claims (b)	4,374	4,170
Retirement benefits (e)	516	642
Provisions for guarantees given (g)	163	235
Energy effectiveness (c)	42	777
Other (d)	1,426	2,440
Total Current Provisions	**6,521**	**8,264**
Total Provisions	**17,107**	**19,273**

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims (i)	Provision of restructuring	Energy effectiveness	Retirement benefits	Provision for guarantees given	Other	Total
At 1 January 2021	**3,677**	**4,170**	**-**	**777**	**5,195**	**1,930**	**3,524**	**19,273**
Reclassification	-	1,678	-	-	(9)	324	(315)	1,678
Paid	-	(400)	-	-	(268)	(305)	(967)	(1,940)
Accrued	-	2,167	-	326	423	572	597	4,085
Financial expense	(64)	-	-	-	(18)	-	-	(82)
Reversed	(149)	(2,636)	-	(1,060)	(1)	(555)	(42)	(4,443)
Actuarial loss/ (profit)	-	-	-	-	(177)	-	-	(177)
Difference in rate of exchange	(1)	(605)	-	(1)	(112)	41	(609)	(1,287)
At 31 December 2021	**3,463**	**4,374**	**-**	**42**	**5,033**	**2,007**	**2,188**	**17,107**

(EUR'000)	Grid access fee	Legal claims (i)	Energy effectiveness	Energy effectiveness	Retirement benefits	Energy effectiveness	Other	Total
At 1 January 2020	**5,308**	**7,320**	**30**	**746**	**5,107**	**2,216**	**2,344**	**23,071**
Reclassification	-	-	-	-	-	-	(203)	(203)
Paid	-	(93)	(30)	-	(727)	(545)	(828)	(2,223)
Accrued	-	1,070	-	95	404	853	1,162	3,584
Financial expense	(126)	-	-	-	-	-	-	(126)
Reversed	(1,505)	(3,471)	-	(64)	-	(567)	(544)	(6,151)
Actuarial loss/ (profit)	-	-	-	-	490	-	1,784	2,274
Difference in rate of exchange	-	(656)	-	-	(79)	(27)	(191)	(953)
At 31 December 2020	**3,677**	**4,170**	**-**	**777**	**5,195**	**1,930**	**3,524**	**19,273**

(i) The amount represents the estimate of the potential legal fees that would be paid to 3rd parties in case court cases are lost. These court cases are disputed receivables under protocols for theft of electricity and the Group experience with these indicates high probability of loss as well as history of payments of such amounts.

(a) Grid access fee provision

EPV
Following the provisions of art.117, para 7 of Energy act, a provision has been made in order to cover potential future losses from the obligation to compensate the owners of certain grid assets for using their facilities to supply other customers with electricity. The calculation of the provision is based on a methodology given by EWRC taking into account the estimated value of the respective assets and the electricity consumption of the supplied customers. The Group distributes electricity through its own and foreign facilities. It covers potential customer claims for compensations related to the three-year period.

(b) Provision for legal claims

The Group is exposed to risk of losing legal claims. The estimates are updated periodically to reflect changes in all legal claims and circumstances around them.

The Group considers that as of 31 December 2021, it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 4,374 thousand (31 December 2020: EUR 4,170 thousand).

(c) Provision for energy effectiveness

As of 31 December 2021, and 31 December 2020, EPRES and EPRS are included in the list of the companies obliged under the Energy Efficiency Act and are assigned individual targets for energy savings. The Group recognises a provision in respect of its obligation to meet these individual targets. Management of the companies evaluated the implementation of the set individual and cumulative energy savings targets.

Key assumptions used to calculate energy efficiency provisions:

- for energy quantities for energy savings - certificates of energy savings and specialized methodologies for energy savings assessment, received by the Council of Ministers and the Minister of Energy;

- for the cost of energy savings - tenders received from three independent suppliers, cost of energy savings measures carried out on their own efforts and contracts concluded.

As of 1 January 2021, the new 3 years period for individual targets changed started, based on that the provision for the period ended 31 December 2020 was released. EPS and EPES recognised the provision for the new 3 years period in the amount of EUR 42 thousand (including provision for the penalty for the previous period for unfulfilled individual targets in the amount of EUR 31 thousand).

(d) Provision for other obligations

- Provision for unused paid leaves

Amounts represent the Group obligation as an employer for unused days of paid annual leave and include salary and social security and health insurance. The Group estimated the expected cost of accumulating compensated absences as the additional amount that the Group expects to pay as a result of the unused entitlement that has accrued to the balance sheet date.

- Construction subcontractors

During the year 2020, The Group used the services of several construction subcontractors. The Group identified the potential business issues with the potential financial impact. The Group recognised the provision in the amount of EUR 974 thousand as of 31 December 2021.

(e) Retirement benefits

- Benefits at retirement for illness

Amounts represent EPV's obligation as an employer regarding the payment of retirement benefits for illness. EPV estimated the expected cost of accumulating compensated leaves as additional amount that EPV expects to pay as a result of the unused entitlement that has accrued at the balance sheet date.

The principal actuarial assumptions are as follows:

	2021	**2020**
Discount rate	0.6%	0.6%
Future salary increases	3.0%	3.0%

Rates of employee turnover and early illness retirement

To investigate better the dynamics of the employment leaves depending on the age, the employees are divided into five age groups. For each of the age group, the turnover of personnel in the last years from 2002 to 2013 is studied. Based on research experience and the Group's confirmed assumptions, in the actuary model have been defined the following degrees of withdrawal have been defined in the actuary model.

In the actuary model are determined early illness degrees, defined based on statistics from National Center of Health Information.

Personnel degree of withdrawal in age groups

Age group	Degree of withdrawal
18 – 30	12.0%
31 – 40	8.0%
41 – 50	5.0%
51 – 60	2.0%
Over 60	0.0%

Demographic assumptions about the future characteristics of employees

Mortality assumptions are prepared on basis of National Statistical Institute data on the total mortality of Bulgarian population for the period 2018 – 2020.

- Interest rate for determining the discount factor

For the purpose of discounting is used effective annual interest rate in the amount of 0.60% (2020: 1.00 %). It is based on the yield on government securities with a 10-year maturity in line with the recommendations of paragraph 83 of IAS 19. Given that the average time until retirement is more than 10 years, the actuary has determined the effective annual discount rate by extrapolation of the data for the effective annual yield of government bonds, following the regulations of paragraph 86 of IAS 19.

- Wage growth in the coming years

Assumptions about future wage growth in the Group are in accordance with the development plan of Group.

2022 – 3% compared to the level in 2021;
2023 – 3% compared to the level in 2022;
2024 and the following – 1% compared to the level in previous year.

(f) Provision of restructuring

The LP Group formed a reorganization provision. This provision was created based on the planned reorganization of the company for the payment of severances to employees in the year 2019 and 2020. The rest of formed provisions were fully disbursed during the year 2020.

Provisions for retirement benefits and jubilee benefits are formed for estimated liabilities for retirement and jubilee benefits as a result of long-term employee service, as at the balance sheet date, discounted to the present value. Provisions for jubilee and retirement bonuses in the parent company were created under the assumptions of 250 employees (235 on permanent employment contract), an estimated future long-term salary increase of 1.5 % per year, a nominal long-term interest rate of 0.2 %, a 16.1 % employer's contribution, and fluctuation of people calculated from the present fluctuation, realistic expectations of the owner for the future and experience in fluctuation in the Republic of Slovenia. The calculation was prepared by an authorized actuary.

g) Provisions for guarantees given

The provisions for warranty guarantees for products sold are created based on experience and costs of complaints in the past and are disbursed during the warranty period of the respective project. The full amount of the provisions for guarantees is related to LP Group.

21. Non-current and Current Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with the covenants as of 31 December 2021 and as of 31 December 2020.

(EUR'000)	31 December 2021	31 December 2020
Non-Current portion of borrowings:		
Issued Bonds (i)	299,171	643,942
ALPASLAN-II PROJECT FINANCE (Turkey) (v)	135,652	154,618
AKBANK (Turkey) (iv)	84,034	87,092
UniCredit Bank Czech Republic & Slovakia - loan (Czech Republic) (ii)	35,366	36,887
Banka DSK EAD (Bulgaria)	12,461	-
Komerční banka, a.s. (Czech Republic)	9,499	9,981
Banka CREDITAS, a.s. (Czech Republic) (iii)	7,441	10,858
Credit Guarantee Fund (Turkey)	1,320	1,778
TBC Bank (Georgia)	800	-
AKLease (Turkey)	245	787
VTB Bank (Georgia)	89	493
Other	706	74
Total non-current portion of borrowings	**586,784**	**946,510**
Current portion of borrowings:		
Issued Bonds (i)	369,703	-
ALPASLAN-II PROJECT FINANCE (Turkey) (v)	26,775	18,028
AKBANK (Turkey) (iv)	19,843	22,415
Raiffeisenbank EAD (Bulgaria) (vi)	19,851	18,352
Unicredit Bulbank EAD (Bulgaria) (vii)	13,857	8,324
Banka CREDITAS, a.s. (Czech Republic) (iii)	4,023	3,810
UniCredit Bank Czech Republic & Slovakia - guarantee (Czech Republic)	3,000	3,000
UniCredit Bank Czech Republic & Slovakia - loan (Czech Republic)	1,336	-
Komerční banka, a.s. (Czech Republic)	1,060	770
Credit Guarantee Fund (Turkey)	540	434
AKLease (Turkey)	487	521
SID banka d.d. (Slovenia)	117	934
Banque Nationale du Canada (Canada - Quebec)	123	132
Sberbank CZ, a.s. (Czech Republic)	-	11,500
Other	255	97
Total current portion of borrowings	**460,970**	**88,317**
Total borrowings	**1,047,754**	**1,034,827**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Proceeds from borrowings and Repayment of borrowings, which are listed in the Consolidated Statement of Cash-flows, are represented by cash movements involving the drawdown of existing operating loans, operating loan balances and refinancing of operating loans within the existing year.

The company continues to review its funding and maturity profile and monitors various financing alternatives for possible refinancing opportunities, including in relation to its outstanding 6.5% Notes due 2023 in the total nominal amount of CZK 1,060 million maturing in 2023.

(i) Issued Bonds

Issued Bonds	31 December 2021	31 December 2020
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	974	974
Unrealised costs	(1,271)	(2,576)
Carrying amount of 4% Notes due 2022	**369,703**	**368,398**
4.5% Notes due 2024		
Principal	250,000	250,000
Accrued Interest	7,428	7,428
Unrealised costs	(1,283)	(1,792)
Carrying amount of 4.5% Notes due 2024	**256,145**	**255,636**
6.5% Notes due 2023		
Principal	42,639	20,194
Accrued Interest	462	219
Unrealised costs	(75)	(505)
Carrying amount of 6.5% Notes due 2023	**43,026**	**19,908**
Total carrying amount of issued bonds	**668,874**	**643,942**

4% Notes due 2022
On 7 December 2017, the Company issued first Eurobonds (ISIN: XS1731657141) with a total face value of EUR 370 million, maturity of 5 years and a fixed coupon of 4% p.a. The bonds have been admitted to trading on the unregulated market of the Irish Stock Exchange (Euronext Dublin). The issue price of the bonds was 100% of the nominal value.

The effective interest rate was calculated at 4.38%. The carrying value of these bonds as at 31 December 2021 was EUR 369,703 thousand (EUR 368,398 thousand as at 31 December 2020).

The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. The Company has the right to repay the bonds before their scheduled maturity date. The guarantors of this bond are EPV, EPG, EPGG and RH.

4.5% Notes due 2024
On 4 May 2018, the Company issued second Eurobonds (ISIN: XS1816296062) with a total face value of EUR 250 million, maturity of 6 years and a fixed coupon of 4.5% p.a. The bonds have been admitted to trading on the unregulated market of the Irish Stock Exchange (Euronext Dublin). The issue price of the bonds 100% of nominal value.

The effective interest rate was calculated at 4.74%. The carrying value of these bonds as at 31 December 2021 was EUR 256,145 thousand (EUR 255,636 thousand as at 31 December 2020).

The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. The Company has the right to repay the bonds before their scheduled maturity date. The guarantors of this bond are EPV, EPG, EPGG and RH.

The terms and conditions of the bonds (including a detailed description of all covenants) are available at the registered office of the Company and on its website (www.energo-pro.com/en/pro-investory).

6.5% Notes due 2023

On 30 October 2020, the company EPGF issued bonds (ISIN: CZ0003527749) with a total face value of CZK 530 million (EUR 21.3 million) with the possibility of an increase of 100% in the expected total face value of the bond issue to CZK 1,060 million (EUR 42.6 million), the issued bonds have maturity of 3 years and a fixed coupon of 6.5% p.a. The bonds have been admitted to trading on the regulated market of the Prague Stock Exchange. The issue price of the bonds 100% of nominal value.

On 7 May 2021, the company EPGF increased the 6.5% Notes due 2023 (ISIN: CZ0003527749) by another CZK 530 milion (EUR 21.3 million) bond issue. The total face value of issued bonds is CZK 1,060 million (EUR 42.6 million) as of the issuance of these financial statements. The issued bonds still have maturity of 3 years and a fixed coupon of 6.5% p.a. The bonds have been admitted to trading on the regulated market of the Prague Stock Exchange. The issue price of the bonds 100% of nominal value.

The average effective interest rate was calculated at 7.98% as of 31 December 2021 (31 December 2020: 8.59%). The carrying value of these bonds as at 31 December 2021 was EUR 43,026 thousand (31 December 2020: EUR 19,908 thousand).

The bonds carry no pre-emption or exchange rights. The bonds are freely tradeable, and their transferability is not limited. EPGF has the right to repay the bonds before their scheduled maturity date. The guarantors of these bonds are EPas and DKHI.

The terms and conditions of the bonds (including a detailed description of all covenants) are available at the registered office of the Company and on its website (http://www.energo-pro.com/en/pro-dkhi-investory).

(ii) UniCredit Bank Czech Republic and Slovakia, a.s. (DEL)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2021 (EUR ´000)	Final maturity Date
UniCredit Bank Czech Republic and Slovakia, a.s.	CZK	Term loan	36,702	29-March-2029

On 27 March 2019, DEL and Unicredit Bank Czech Republic and Slovakia, a.s. signed a facility agreement with respect to a CZK 1,050,000 thousand loan. The proceeds were used for refinancing of existing indebtedness and general corporate purposes.

(iii) Banka CREDITAS, a.s. (DKHI)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2021 (EUR ´000)	Final maturity Date
Banka CREDITAS, a.s.	CZK	Term loan	11,464	30-June-2023

On 21 June 2018, DKHI and Banka CREDITAS, a.s. signed a facility agreement with respect to a CZK 300,000 thousand loan. The facility was provided for general corporate purposes. The facility is being repaid in 12 equal quarterly instalments of CZK 25,000 thousand each starting from September 2019.

(iv) AKBANK (Bilsev)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2021 (EUR ´000)	Final maturity Date
AKBANK	USD	Term loan	103,877	December-2026

On 29 June 2016, Bilsev and AKBANK signed a facility agreement with respect to a USD 166,000 thousand loan. The facility was provided for the construction of the Karakurt dam and related HPP.

(v) Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., acting in a fiduciary capacity, and Česká exportní banka a.s. (Murat)

Lenders	Original currency	Facility type	Outstanding balance as at 31 Dec 2021 (EUR ´000)	Final maturity Date
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., acting in a fiduciary capacity, and Česká exportní banka a.s.	EUR	Term loan	162,427	October-2030

On 8 November 2019, Murat and MUFG Securities EMEA Plc (as Facility Agent) signed a facility agreement with respect to a EUR 175,000 thousand loan. The facility was provided for the construction of the Alpaslan II dam and related HPP.

(vi) Raiffeisenbank EAD (EPV)

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 31 December 2021 (EUR ´000)	Final maturity date
Raiffeisenbank EAD	BGN	Reference rate with 1.10 % mark-up, minimum 1.19 %	Revolving credit facility	19,851	Dec-22

In December 2021, ElectroNorth and Raiffeisenbank EAD signed a facility agreement with respect to a BGN 39,000 thousand loan (EUR 19,942 thousand). The facility was provided for general corporate purposes.

(vii) UniCredit Bulbank AD (EPV)

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 31 December 2021 (EUR ´000)	Final maturity date
UniCredit Bulbank AD 1	BGN	Variable interest rate index equal to average deposit index 0.02% and mark-up 1.20%	Revolving credit facility	7,846	Apr-22
UniCredit Bulbank AD 2	BGN	Variable interest rate index equal to average deposit index 0.02% and mark-up 1.05%	Revolving credit facility	6,011	Apr-22

UniCredit Bulbank AD 1: On 29 April 2021, EPES and UniCredit Bulbank AD signed a facility agreement with respect to a BGN 45,000 thousand (EUR 23,008 thousand) loan. The facility was provided for general corporate purposes.

UniCredit Bulbank AD 2: On 22 April 2021, EPS and UniCredit Bulbank AD signed a facility agreement with respect to a BGN 15,000 thousand (EUR 7,669 thousand) loan. The facility was provided for general corporate purposes.

(viii) DSK Bank EAD (EPV)

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 31 December 2021 (EUR ´000)	Final maturity date
DSK Bank EAD	BGN	1-month EURIBOR with 1.50% mark-up, minimum 1.10%	Revolving credit facility	12,461	Sep-23

On 20 April 2021, EPES and DSK Bank EAD signed a facility agreement with respect to a BGN 30,000 thousand (EUR 15,338 thousand) loan. The facility was provided for general corporate purposes.

Other borrowings

Remaining loans not described above are primarily associated with the EPI Group. These credits are mainly used for operational financing. These credits are secured by mortgage on property, pledge of receivables and inventories of EPI Group (please find details in Note 29).

22. Trade and Other Payables

(EUR'000)	31 December 2021	31 December 2020
Trade payables	121,978	120,876
Deposits	3,397	3,046
Payables for legal disputes	363	914
Other	9,296	1,690
Total trade and other payables	**135,034**	**126,526**

23. Other Current Liabilities and Other Current Liabilities to Shareholder

Other current liabilities

(EUR'000)	31 December 2021	31 December 2020
Payable to personnel	9,946	10,578
Taxes payable	7,169	6,668
Accrued costs and expenses	2,042	1,774
Deferred expenses	252	1,429
Lease liabilities	325	437
Advances received	136	432
Other	2,889	1,728
Total other current liabilities	**22,759**	**23,046**

Other Current Liabilities to Shareholder

Other current liabilities to the shareholder amounting to EUR 44,893 thousand as of 31 December 2021 (31 December 2020: EUR 44,590 thousand) are liabilities to the owner of the company, Mr. Jaromir Tesar. Liabilities to the shareholder of the company have a flexible date of maturity, and their repayment is not planned in the following year 2021 (Note 17). In 2020, the owner of the company decided to capitalize EUR 150,000 thousand.

24. Service Expenses

(EUR'000)	**2021**	**2020**
Technological losses of electricity (i)	(27,340)	(22,950)
Rent expense	(9,206)	(2,764)
Production services	(8,677)	(6,230)
Dispatch and transmission	(7,981)	(6,072)
Professional service fees	(7,970)	(1,131)
Commissions	(5,739)	(5,463)
Insurance expense	(4,547)	(3,395)
Repairs and maintenance	(4,358)	(6,626)
Security expense	(2,396)	(3,503)
Encashment fee	(2,025)	(1,941)
Transportation and forwarding	(1,157)	(638)
One-off connection fee to ESO	(1,026)	(1,161)
Travel expenses	(636)	(525)
Bank charges	(233)	(501)
Non-manufacturing services	(116)	(133)
Other	(7,012)	(7,546)
Total service expenses	**(90,419)**	**(70,579)**

(i) As disclosed in Note 2, in regard of EPV, the Council of Ministers in Bulgaria decided on 30 December 2021 (Protocol No 893) to compensate in full the grid companies for the period 1 July 2021 – 31 December 2021 for the deviation in the average monthly price of the “Day ahead” on the free electricity market, as reported by IBEX from the set forecasted price by EWRC to 67.12 EUR / MWh (131.27 BGN/ MWh). The Group reports the compensation from the Ministry of Energy in Bulgaria as a reduction of the technological losses in the amount of EUR 14,172 thousand (BGN 27,718 thousand).

25. Other Operating Expenses

(EUR'000)	**2021**	**2020**
Business trip expenses	(7,376)	(7,436)
Net change of impairment allowance of assets and trade receivables and bad debt write-off	(3,606)	(624)
GNERC regulatory expense	(2,326)	(1,375)
Court expenses	(587)	(757)
Operating bank fees	(534)	(1,328)
Office supplies consumed	(396)	(497)
Other	(6,263)	(5,625)
Total other operating expenses	**(21,088)**	**(17,642)**

26. Finance Costs – Net

(EUR'000)	**2021**	**2020 Restated**
Net foreign exchange (losses) (i)	(168,731)	(94,916)
of which: Unrealised net foreign exchange (losses)	*(168,930)*	*(93,907)*
of which: Realised net foreign exchange gains / (losses)	*199*	*(1,009)*
Interest expenses bonds	(30,706)	(27,623)
Interest expense from bank borrowings	(15,317)	(18,142)
Prolongation fees on factored payables	(4,091)	(3,918)
Other finance costs	(1,832)	(2,164)
Insurance expense	(291)	(283)
Interest expense on lease liabilities	(220)	(207)
Fees from loans and other	(128)	(583)
Finance costs	**(221,316)**	**(147,836)**
Other financial income	4,408	3,337
Interest income on cash and cash equivalents	284	192
Interest income on deposit account	102	115
Interest income on issued loans	71	41
Finance income	**4,865**	**3,685**
Net finance costs	**(216,451)**	**(144,151)**

(i) Net foreign exchange losses are related to the translation of foreign currency loans/bonds into the functional currency of the relevant entity at the FX at the end of the reporting period. These are mainly caused by the Turkish subsidiaries of the Group.

27. Other income

(EUR'000)	2021	2020
Income from insurance claims (i)	5,297	397
Subsidies and grants	1,384	1,847
Revenue from customers for reconstruction of network and provision for requested capacity	1,347	4,418
Income from penalties and fines	653	305
Gains less losses on disposal of PPE and Intangible assets	277	777
Surplus from inventory and PPE counts	193	770
Rental income	52	59
Other income	4,528	3,346
Total other income	**13,731**	**11,919**

(i) Mainly associated with EPGG and its subsidiary gPower, in the first half of 2021 the company received insurance recovery for a damaged turbine.

28. Income Taxes

(a) Components of income tax expense

The income tax expense comprises the following:

(EUR'000)	2021	2020 Restated
Current tax	(12,115)	(4,796)
Deferred tax	5,319	3,273
Income tax expense for the year	**(6,796)**	**(1,523**

The reconciliation between the expected and actual taxation charge is provided below:

(EUR'000)	2021	2020 Restated
(Profit) / Loss before tax	28,454	88,404
Tax at statutory tax rate (ii)	(5,406)	(16,797)
Effect of different tax rates in individual jurisdictions (iii)	(51,773)	(17,719)
Effective tax rate (i)	182%	20%
Current tax:		
Additional tax payments (+) / refund (-)	(199)	7
Tax incentives, tax credits (-)	1,178	-
Investment allowance used (previously unrecognised)	-	(386)
Income tax paid in other countries (+)	255	78
Deferred tax:		
Deduction of tax loss	1,457	514
Effect of the different % used to calculate DT	(68)	2,878
Adjustments to deferred tax attributable to changes in tax rates and laws	655	(550)
Effect of written of DTL	-	(3,643)
Effect of not recognized deferred tax asset	29,465	14,871
Non-tax expenses (+) / income (-) from which deferred tax isn't calculated:		
Net value of non-current tangible/intangible assets	68	-
Increase (+)/release (-) of trade receivables impairment	(3)	74
Increase (+) / release (-) provisions	(197)	369
Interest income (-) / expense (+)	3,792	32
Other non-deductible expenses (+) / income (-)	22,166	4,998
Hypothetical tax on non-tax expenses and income	**25,826**	**5,473**
= Calculated income tax expense	**6,796**	**1,523**

(i) The effective tax rate has been determined as Income tax expense for the year divided by (Profit)/ Loss before tax.

(ii) Tax at statutory tax rate of 19% as enacted in the Czech Republic.

(iii) Individual countries in which the Group operates have different enacted tax rates, i.e. the Czech Republic 19%, Bulgaria 10%, Georgia 0% subject to distribution of Profit outside the Georgia, Turkey 25% (31 December 2020: the Czech Republic 19%, Bulgaria 10%, Georgia 0% subject to distribution of Profit outside the Georgia, Turkey 20%).

(b) Deferred taxes

Deferred income tax assets and liabilities are presented gross and amounts are as follows:

EUR'000	2021	2020 Restated
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	7,430	7,193
- Deferred income tax asset to be recovered within 12 months	500	244
Deferred income tax assets	**7,930**	**7,437**
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(4,727)	(6,374)
- Deferred income tax liability to be recovered within 12 months	-	(846)
Deferred tax liabilities	**(4,727)**	**(7,220)**
Net deferred income tax assets/(liabilities)	**3,203**	**217**

(c) Deferred taxes analysed by type of temporary difference

The movements in deferred income tax assets and liabilities during the year ended 31 December 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(EUR'000)	1 January 2021	Charged/ (credited) to profit or loss	Exchange differences	31 December 2021
Tax effect of taxable temporary differences				
Property, plant and equipment & Intangible assets	(9,459)	(1,028)	1,746	(8,741)
Trade receivables	(302)	3,300	(822)	2,176
Borrowings	(40)	46	(15)	(9)
Other current assets	(270)	3	1	(266)
Deferred income	1	-	(2)	(1)
Other temporary differences	(884)	596	76	(212)
Total deferred tax liability	**(10,954)**	**2,917**	**984**	**(7,053)**

(EUR'000)	1 January 2021	Charged/ (credited) to profit or loss	Exchange differences	31 December 2021
Tax effect of deductible temporary differences				
Property, plant and equipment & Intangible assets	27	(5)	1	23
Inventories	(13)	-	-	(13)
Allowances for trade receivables	983	(90)	-	893
Trade and other payables	3	-	(3)	-
Borrowings	3	45	2	50
Issued loans	-	-	2	2
Deferred income	377	230	13	620
Provisions	660	385	(118)	927
Carry forwards tax losses	5,615	4,381	(3,286)	6,710
Unutilised investment incentives	1,853	1,063	(989)	1,927
FX balance on CIP account	7	-	-	7
Other current assets	3	(22)	-	(19)
Other temporary differences	1,653	(3,585)	1,061	(871)
Total deferred tax assets	**11,171**	**2,402**	**(3,317)**	**10,256**
Net deferred tax asset	**217**	**5,319**	**(2,333)**	**3,203**

The movements in deferred income tax assets and liabilities during the year ended 31 December 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(EUR'000)	1 January 2020	Restated (Note 5)	Charged/ (credited) to profit or loss	Exchange differences	31 December 2020 Restated
Tax effect of taxable temporary differences					
Property, plant and equipment & Intangible assets	(12,822)	-	1,604	1,759	(9,459)
Trade receivables	(834)	-	386	146	(302)
Borrowings	34	-	(89)	(15)	(70)
Other current assets	(8)	-	(264)	2	(270)
Deferred income	2	-	-	(1)	1
Other temporary differences	(1,138)	-	(227)	56	(884)
Total deferred tax liability	**(14,766)**	**-**	**1,410**	**1,947**	**(10 984)**

(EUR'000)	1 January 2020	Restated (Note 5)	Charged/ (credited) to profit or loss	Exchange differences	31 December 2020 Restated
Tax effect of deductible temporary differences					
Property, plant and equipment & Intangible assets	16	-	12	(1)	27
Inventories	(13)	-	-	-	(13)
Allowances for trade receivables	1,346	-	(364)	1	983
Trade and other payables	(5)	-	9	(1)	3
Borrowings	31	-	4	(2)	33
Issued loans	-	-	-	-	-
Deferred income	311	-	(228)	294	377
Provisions	1,384	-	(248)	(476)	660
Carry forwards tax losses	6,173	-	1,310	(1,868)	5,615
Unutilised investment incentives	1,614	-	350	(111)	1,853
FX balance on CIP account	7	-	-	-	7
Other current assets	(6)	-	9	-	3
Other temporary differences	1,091	(7,723)	9,584	(874)	2,078
Total deferred tax assets	**11,949**	**(7,723)**	**10,438**	**(3,038)**	**11,626**
Net deferred tax asset	**(2,817)**	**(7,723)**	**11,848**	**(1,091)**	**217**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

Deferred income tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

29. Contingencies and Commitments

a) Legal proceedings

From time to time and in the normal course of business, claims against the Group may be initiated. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

EPB

EPB initiated an arbitration claim against NEK EAD amounting to EUR 1,692 thousand for the price of electricity supplied for period April - May 2016. On 29 April 2021, the arbitration was rejected, EPB was held liable for EUR 292 thousand.

EPB is a defendant in legal case for payment of EUR 266 thousand for water supply to NEK EAD for the period of April -May 2016, initiated in 2019. The case was suspended and reopened in mid-2021.

EPB is plaintiff in 2 administrative cases:

Against EWRC preferential price decision C-21/2021 decision (preferential price decision Ц-14/2019 was proclaimed null and void on 14.01.2021); In July the 1st instance court rejected the claim. EPB appealed before the Supreme Administrative court.

Against EWRC decision SP-6/2019.

Based on its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

EPV

In regard with the separation of EDC Gorna Oryahovitsa (former name of Electro North) and EDC Varna (former name of EPS from the NEK EAD effected in the year 2000, the companies from the EPV acquired certain land and buildings with insufficient ownership deeds. As of 31 December 2021, the EPV's net book value of such assets is EUR 793 thousand (31 December 2020: EUR 908 thousand). The EPV's companies are in process of acquiring of the necessary title deeds. In these financial statements no liabilities have been recognised in relation to these assets. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

EPG

On May 2019 JSC Georgia Railway began to dispute against EPG about the lost interest income in the amount of EUR 554. According to the decision of the Tbilisi City Court of 23 July 2021, the plaintiff, in accordance with article 102 of the Code of Civil Procedure, failed to present evidence of damage in the form of unearned income, which is the basis for refusing to pay the disputed amount (EUR 554 thousand). On 26 August 2021 the decision was appealed by JSC Georgian Railway. Based on the EPG's initial assessment it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

On 30 December 2019 Audit Department of the Revenue Service (RS) issued inspection act on EPG's tax accounts for the period from June 2016 until July 2018. According to the said act EUR 217 was accrued as additional taxes on abnormal grid losses, including penalties and fines. This decision was appealed by EPG in the RS. The subject matter of the dispute was the calculation of abnormal grid losses for tax purposes. RS only removed penalties of GEL 17 (EUR 5). During 2020 EPG appealed in Council of Dispute Resolution at the Ministry of Finance (MoF). Per resolution of the MoF dated 17 December 2020, EPG's claim was partially satisfied and the RS was instructed to recalculate the abnormal losses as the previous calculation method used was deemed not entirely correct. EPG received the final act in 2021, which is appealed by EPG in the Tbilisi Civil Court. As of the date of these financial statements the mentioned amount was fully reflected in the financial statement and the claim was recalled from the Court.

LP Group
Actions for damages in a total value of EUR 3,828 thousand as of 31 December 2020 (31 December 2020: EUR 3,525 thousand) were filed against Litostroj Hydro. Based on attorneys' opinion, the company's management estimated that no conditions occurred that would require the legal claims to be recognized as provisions or liabilities in the Balance Sheet.

Končar KET has filed a lawsuit against the LP Group for the amount of EUR 6,776 thousand for reimbursement of costs incurred on the project Koyna. According to the evidence provided by Končar the claim is largely unfounded. As of the date of these financial statements the mentioned case reflected in the financial statement. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

b) Tax legislation

Tax legislation is subject to varying interpretations, and changes, which can occur frequently in **Bulgaria**. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

The taxation system in **Georgia** is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a few government bodies, which have the authority to impose severe fines, penalties and interest charges. Management believes that it has implemented internal controls to follow transfer pricing rules and principles ("TP legislation"). Given that the practice of implementation of the Georgian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

These circumstances may create tax risks in Georgia that are substantially more significant than in many other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on this financial information, if the authorities were successful in enforcing their own interpretations, could be significant to the Group.

In **Turkish** direct taxation system, rights, burdens, ways of implementing mandates and carrying out duties along with principals of accrual are regulated by the Tax Procedure (TP) Law. This Law comprises procedural and formal provisions of all tax laws. Taxes, duties and charges, and the ones that belong to provincial private administrations and municipalities are within the scope of the Law. A corporate is a subject of income tax on its income and earnings. The rules concerning the taxation of corporations are contained in the Corporate Income Tax (CIT) based on the CIT Law introduced in 2006. The corporate tax is levied on the income and earnings derived by corporations and corporate bodies. In other words, the CIT Law sets provisions and rules applicable to the income resulted from the activities of corporations and corporate bodies.

Management of the Group has no information for any circumstances which may lead to tax payables in excess of tax liabilities recognized.

c) Environmental matters

The enforcement of environmental regulation in each country where Group operates is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

d) Contingent assets

RH
RH received guarantee letters amounting to EUR 200 thousand as of 31 December 2021 (31 December 2020: EUR 717 thousand). Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

EPInsaat
EPInsaat received guarantee letters amounting to EUR 1,973 thousand as of 31 December 2021 (31 December 2020: EUR 3,450 thousand). Guarantee letters received are mainly related with supplier agreements.

LP Group
Guarantees received
The guarantees and counter-guarantees received represented advance guarantees, performance bonds and warranty guarantees to the benefit of Litostroj Power d.o.o. The guarantees received amounted to EUR 551 thousand as of 31 December 2021 (as of 31 December 2020: EUR 467 thousand).

e) Contingent liabilities

EPas guarantee club of banks
EPas has issued a guarantee in favour of a club of banks in connection with a EUR 3,000 thousand revolving facility for Litostroj Power, d.o.o. The guarantee is for 100% of the drawn amount as of 31 December 2021.

EPas guarantee LE
EPas has issued a guarantee in favour of Komercni banka a.s. in connection with CZK 20,000 thousand (EUR 773 thousand) revolving facility for Litostroj Engineering a.s. The guarantee is for 100% of the drawn amount as of 31 December 2021.

EPV
Unicredit Bulbank AD has issued in the name of EPES bank guarantees to various suppliers (IBEX EAD, ESO EAD) in the amount EUR 14,941 thousand as of 31 December 2021 (31 December 2020: 10,731 thousand).

RH
RH issued guarantee letters amounting to EUR 585 thousand as of 31 December 2021 (31 December 2020: EUR 1,889 thousand). Guarantee letters issued are mainly given to the EMRA, TEİAŞ and various electricity distribution institutions.

EPToptan
EPToptan issued guarantee letters amounting to EUR 96 thousand as of 31 December 2021 (31 December 2020: EUR 2,985 thousand). Guarantee letters issued are mainly given to the EMRA, TEİAŞ and various electricity distribution institutions.

EPGG
On 5 February 2019, gPower LLC has issued a non-cash cover guarantee, which amounts to EUR 88 thousand as at 31 December 2021 (31 December 2020: EUR 81 thousand). Non - Cash cover guarantee for the purposes of securing payment for the supply of natural gas provided by LLC "SOCAR Gas Export - Import"). Guarantee is extended from February 15, 2022 until February 7, 2023

EPGS
According to Georgian Electricity (capacity) Market Rules and letter from Electricity Market Operator ("ESCO") Public/Universal services suppliers are obliged to issue bank guarantee in order to compensate guaranteed capacity fee, ESCO service fee and electricity balancing market price. On 30 August 2021, EP Georgia Supply JSC issued a guarantee to ESCO in amount of EUR 5,986 thousand (31 December 2021: EUR 5,986 thousand), which is valid till 7 February 2022. Guarantee was taken from Georgian commercial bank.

LP Group

(EUR'000)	**2021**	**2020**
Guarantees given	11,423	17,853
Securities given	213	2,650
Bills of exchange issued	533	453
Letters of credit	3,413	8,433

Guarantees given
Guarantees given (bid bonds, advance guarantees, performance bonds, warranty guarantees, customs guarantees and guarantees for timely payments) were recognized by LP as of 31 December 2021 in the amount of EUR 9,674 thousand (31 December 2020: EUR 13,432 thousand), by the company LHI in the amount of EUR 0 thousand (31 December 2020: EUR 2,298 thousand) and by the company LE in the amount of EUR 1,749 thousand (31 December 2020: EUR 2,123 thousand).

Securities given
Securities were issued to the company LHI for the un-invoiced part of the projects due in 2022.

Bills of exchange issued
On 31 December 2021, the LPG recognized bills of exchange issued in the total amount of EUR 533 thousand. (31 December 2020: EUR 453 thousand).

Letters of credit
The letters of credit related to LHI and represent framework loans intended for providing cover for issued performance and warrantee guarantees for projects in Canada.

Disclosure of collaterals to banks of LP Group:

LP
Agreement on the pledge inventory (supplies and equipment), has been established in order to guarantee the timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. Supplies and equipment comprises merchandise for sale, which is either (i) produced for sale (finished goods), or (ii) is in an intermediate stage of production (intermediate), or (iii) is a component intended to form, or (iv) which is used in the production process as a raw material, or (v) other materials or excipients, or (vi) is intended for self-consumption and certain equipment used by the company in the context of production or other activities.

Agreement on pledge of receivables is established with the purpose of securing the timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as a Security Agent. As collateral for the secured obligations the company establishes the insurance over claims against debtors and all secondary rights and claims arising from contracts or for them, including any due and unpaid principal or interest, every insurance instrument issued as collateral for receivables and every right derived from any other possible forms of insurance and secure the payment of receivables by the debtors.

Mortgage agreement is established with the purpose of security for timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. The obligations are secured by constituting and registration of the maximum mortgage of first rank on the pledged property - all property owned by the company.

Agreement on the Establishment of the bank accounts pledge is established in order to guarantee the timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, as, as Security Agent, on company's open accounts and issued bills of exchange statements and bills of exchange for each bank account.

LE

Mortgage agreement is established with the purpose of security for timely and full repayment of the secured obligations under the revolving facility agreement, in favour of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. The obligations are secured by constituting and registration of the maximum mortgage of first or second rank on the pledged property - all property owned by the company.

Share Pledge Agreement is established in order to guarantee the timely and full repayment of the secured obligations under the revolving facility agreement, in favour of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. Obligations are secured by the establishment of a first order pledge on the entire (100%) equity share in the company LE. The pledger is the owner of the company.

Agreement on pledge of receivables is established with the purpose of securing the timely and full repayment of the secured obligations under the revolving facility agreement, in favour of UniCredit Bank Czech Republic and Slovakia, a.s., as a Security Agent. As collateral for the secured obligations the company establishes the insurance over claims against debtors and all secondary rights and claims arising from contracts or for them, including any due and unpaid principal or interest, every insurance instrument issued as collateral for receivables and every right derived from any other possible forms of insurance and secure the payment of receivables by the debtors. This agreement is composed by Bank Account Receivables and Movables Agreement.

LHI

Mortgage agreement (Deed of Hypotec) is established with the purpose of security for timely and full repayment of the secured obligations under the revolving facility agreement, in favor of UniCredit Bank Czech Republic and Slovakia, a.s., as Security Agent. The obligations are secured by constituting and registration of the maximum mortgage of second rank on the pledged property - all property owned by the company.

f) Commitments

EPV

Purchase of energy facilities
According to paragraph 4 of Closing decrees of the Energy law the Group is required within 8 years as from the coming into force of the Energy Law to purchase energy facilities, comprising elements of the transportation or distribution network, owned by individuals or legal entities. The deadline for the purchase of energy facilities which are owned by users expired in December 2015.

Management has made an assessment of the fair value of energy facilities, which are owned by consumers, which as at 31 December 2021 amounted to EUR 8,832 thousand (31 December 2020: EUR 9,581 thousand). The Management is unable to predict when energy facilities that are not redeemed by 31 December 2021 will be purchased.

In 2021 a company from the Group has entered into connection agreements for 128 connection facilities (31 December 2020: 137 connection facilities) under which the counter party is obliged to build the facilities. The Group has committed to purchase these facilities after they have been finished. The Management of the company is not in a position to reliably assess these capital commitments as it does not have information on the expected value of the facilities to be built. The average value of the connected facilities for the period 2020 – 2021 is EUR 20 thousand (2019 – 2020 - EUR 20 thousand).

EPG & EPGG

Pursuant to the "Sale agreement of the assets of the hydro power plants and the electricity distribution companies" concluded between the Government of Georgia and EPG, EPGG has undertaken commitment to:

- Maintain 85% of the installed capacity of the purchased hydro power plants; and
- Procure provision of uninterrupted service to the respective customers.

In addition, EPG and EPGG has agreed to contribute an additional investment of:

- USD 40 million (EUR 33 million) in rehabilitation of hydro power plants; and
- Up to USD 100 million (EUR 88 million) in the rehabilitation and modernisation of the distribution networks.

As of 31 December 2021, and 2020, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

30. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The uncertainties associated with the restart of the economy have had a profound impact on the business environment, both on the global and domestic markets. Constant changes in the international business environment and the internationalization of sales and production capacities increase our exposure to various types of risks. Risk management has gained additional importance in the new operating circumstances. It is becoming increasingly important for the company's long-term development and growth to identify and respond to potential threats by preparing corrective measures in advance to protect the company from potential and/or detected risks. Reducing our exposure to risks is a clear goal of the company. The assessment, prediction and management of risks in all business areas falls within the responsibility of all stakeholders within the company and is part of the everyday work process.

Business risks. Business risks comprise the risks associated with the capability of a company to create short- and long-term operating revenues, to control operating costs and expenses and operating liabilities and to maintain the value of its assets.

Our external risks are risks associated with macroeconomic developments in the key electricity markets and with unstable political situation on certain electricity markets. Diversifying our operations around the globe is thus a logical necessity and our way of managing the external risks. Because of slow recovery of the economy, we believe that our external risks are at a moderate level.

Investment risks are managed through economic planning, through careful planning and realization of investment projects and by monitoring the effects of investments. We assess our exposure to investment risks to be at a moderate level.

In recent times, our sales risks have been strongly associated with low electricity market prices and spreads, and with emerging new direct and indirect suppliers and providers of services, and new sales channels. This has resulted in increased competition for tendered projects. In addition, our sales risks are associated with the market strategy and firm negotiating position of major customers. We have managed these risks through adequate marketing activities and a great number of customers, by diversifying our products and services and by constant improving technical characteristics. We believe our exposure to technical risks to be moderate.

Asset and liability risks. Asset and liability risks pertain to the management of asset and transport risks and risks arising from liability for our activities. We systematically lower our key asset and liability risks by passing them on to insurance companies and business partners. In addition to property insurance (movable and immovable property), we also have combined liability insurance that covers general liability with extensions, product liability, employer's liability, and environmental liability. We believe that our exposure to asset and liability risks is not an issue.

Credit risk. Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. The Group's principal financial assets are bank balances, cash, trade receivables and issued loans. The credit risk on liquid funds is limited because the counterparties are banks with positive credit ratings (A to B). The risk on issued loans is limited because the main part consists from loans provided to the shareholders. Trade receivables include a large number of customers from various geographical and industry segments and Group considers the credit risk arising from the failure of one or more companies to pay as not significant, and within the manageable risk. The internal analysis of age structure of trade receivables shows no significant value of overdue receivables. For free customers, the Group assesses the credit quality of the customers by assessing the financial position of the customers, past experiences and other factors as a part of its credit risk management program.

(EUR'000)	**31 December 2021**	**31 December 2020**
Non-current financial assets		
- Restricted bank deposit	60	821
Trade and other receivables		
- Trade receivables	104,491	73,724
Issued loans		
- Loans issued	3,924	2,862
Cash and cash equivalents		
- Bank balances and Cash on hand payable on demand	67,223	41,876
Total	**175,698**	**119,283**

Several departments and processes are systematically and actively involved in the credit risk management process, and employees constantly monitor the performance and financial situation of individual business partners and take suitable measures to limit our exposure to them. Taking into consideration our business policy, we believe that the company is exposed to relatively moderate credit risk.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Insolvency risk. Insolvency risk is the risk of running into problems that will cause the company to be unable to settle its short-term and long-term liabilities. We manage our exposure to short-term insolvency risk by maintaining an active solvency management policy, carefully planning cash flows, managing costs to prevent mismatches of inflows and outflows, managing credit risk to ensure the prompt payment of receivables, matching the maturities of assets and liabilities, diversifying the maturities of liabilities and providing for credit lines that enable funds to be drawn down according to the needs. We assess the company's exposure to insolvency risk to be at a moderate level.

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in 2019 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

The table below summarises the Group’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2021			**31 December 2020**		
(EUR’000)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
EUR	22,854	118,408	(95,554)	337,214	681,624	(344,410)
USD (i)	426,956	880,776	(453,820)	56,088	134,732	(78,644)
TRY (i)	54,058	6,249	47,809	2,146	24,132	(21,986)
CAD (i)	4,367	1,194	3,173	6,018	5,175	843
Other currencies (i)	408	12,909	(12,501)	445	2,506	(2,061)
Total	508,643	1,019,536	(510,893)	401,911	848,169	(446,258)

(i) Denominated in EUR

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	31 December 2021	**31 December 2020**
(EUR'000)	**Impact on profit or loss**	**Impact on profit or loss**
EURO strengthening by by 10%	(9,555)	(34,441)
EURO weakening by 10%	9,555	34,441
US Dollar strengthening by 10%	(45,382)	(7,864)
US Dollar strengthening by 10%	45,382	(7,864)
TRY strengthening by 10%	4,781	(2,199)
TRY weakening by 10%	(4,781)	2,199
CAD strengthening by 10%	317	84
CAD weakening by 10%	(317)	(84)
Other currencies strengthening by 10%	(1,250)	(206)
Other currencies weakening by 10%	1,250	206

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure, at the same time a certain proportion of the Group's financial assets and liabilities are at fixed rates and thus the risk is limited.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings. The Group's liquidity portfolio comprises cash and cash equivalents. Management estimates that the liquidity portfolio of cash and bank deposits except for the restricted cash can be realised in cash within a day in order to meet unforeseen liquidity requirements.

The tables below show liabilities at 31 December 2021 and at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	233,780	98,713	46,454	**378,947**
Trade and other payables	135,801	(1,660)	115	**134,256**
Other non-current financial liabilities	204	8,672	-	**8,876**
Other current liabilities	24,373	-	-	**24,373**
Issued Bonds (Note 21)	377,593	291,281	-	**668,874**
Contingent liabilities – financial guarantees (Note 29e)	47,919	-	-	**47,919**
Total future payments, including future principal and interest payments	**819,670**	**397,006**	**46,569**	**1,263,245**

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	27,643	336,017	47,101	**410,761**
Trade and other payables	113,666	12,080	-	**125,746**
Other non-current financial liabilities	489	2,075	476	**3,040**
Other current liabilities	5,160	440	-	**5,600**
Issued Bonds (Note 21)	8,401	635,541	-	**643,942**
Contingent liabilities – financial guarantees (Note 29e)	44,512	-	-	**44,512**
Total future payments, including future principal and interest payments	**199,871**	**986,153**	**47,577**	**1,233,601**

Trade and other payables are payable within 3 months from the reporting period.

Capital management. Capital management is performed by the owners of the Group based on their requirements with respect to optimal capital structure of the Group. The Group only manages its capital structure with respect to legal requirements in the jurisdictions where the Group operates.

Management considers equity as presented in these consolidated financial statements, excluding non-controlling interest, as the Group's capital.

31. Fair Value of Financial Instruments

The Group has no financial instruments measured at fair value in the condensed consolidated statement of financial position. The fair value for the purposes of disclosure of the following financial instruments is assumed as reasonably close to their carrying value:

• Trade and other receivables;
• Cash and cash equivalents;
• Loans (except Issued bonds);
• Trade and other payables.

Issued Bonds

The fair value of bonds is based on the quoted market price for the same or similar issues or on the current rates available for bonds with the same maturity profile.

Carrying amounts and estimated fair values of financial instruments as at 31 December 2021, are as follows:

(EUR'000)	Carrying amount	Fair Value	Interest	Total Fair Value
4% Notes due 2022	369,703	367,278	974	**368,252**
4.5% Notes due 2024	256,145	247,656	7,428	**255,084**
6.5% Notes due 2023	43,026	43,496	462	**43,958**
Total	**668,874**	**658,430**	**8,864**	**667,294**

Carrying amounts and estimated fair values of financial instruments as at 31 December 2020, are as follows:

(EUR'000)	Carrying amount	Fair Value	Interest	Total Fair Value
4% Notes due 2022	368,398	360,718	974	**361,692**
4.5% Notes due 2024	255,636	242,469	7,428	**249,897**
6.5% Notes due 2023	19,908	20,787	219	**21,006**
Total	**643,942**	**623,974**	**8,621**	**632,595**

32. Events after the Reporting Period

Agreement to acquire EPHD and EPTD terminated (EPas)
On 17 January 2022, EPas terminated the agreement to acquire companies EPHD and EPTD which own a 100% stake in the 280 MW hydroelectric power plant with the Alpaslan 2 dam and the 97 MW hydroelectric power plant with the Karakurt dam from its parent company DKHI. The agreement was concluded on 14 October 2021.

Prepayment for an acquisition of investments (EPV)
As disclosed in Note 11, in June 2021, EPV and Frisardi EOOD had concluded a Preliminary agreement for a transfer of real estate / investments in the amount of EUR 7.2 million. EPV had paid in advance the amount of EUR 6.1 million.

In February 2022, Frisardi EOOD has established a new company FreeSol EOOD through a non-monetary contribution and subject of activity: the real estate, which was concluded in the above Preliminary agreement. In March 2022, EPV and Frisardi EOOD have concluded a contract for the transfer of a 100% of FreeSol EOOD' shares. With this last contract, the prior obligations of the two companies to sign a final agreement have been executed.

Issued bonds (EPas)
On 4 February 2022, EPas issued bonds in the amount of USD 435 million (EUR 384 million) with a fixed coupon of 8.5 % p.a. due 2027. The proceeds of the issuance were used to repay EPas's EUR 370 million bonds with a fixed coupon of 4.5% p.a. due 2022, and to pay related fees and expenses.

Military conflict between Russia and Ukraine
On 24 February 2022, Russian Federation launched a large-scale military invasion of Ukraine. Since the start of the war, there has been a significant depreciation of the Russian Ruble against foreign currencies, as well as a significant decline in the value of Russian securities. The sanctions have led to substantial increases in the prices of commodities, such as energy, metals and food in global markets, and to further disruptions in global supply chains. Free market prices of electricity have also risen sharply.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries. The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. The Group's management considered the potential effects of the invasion on its activities and business and concluded that there is no material effect given that the Group has insignificant relations with these countries.

Sale of financial investment in EPI
After the balance sheet date, the management of EPI decided to sell the financial investment in LTT. The sale was completed at the end of June 2022.

Hyperinflation in Turkey
Due to the rapid devaluation of the Turkish lira, Turkey is considered as hyperinflationary and as a result the application of IAS 29 will be adopted for the first time in the second quarter of 2022. The financial statements of 2022 for those subsidiaries that have the Turkish lira as a functional currency will be restated for the change in the general purchasing power retrospectively since 1 January 2021.

No other significant events have occurred since the balance sheet date that would have an impact on the annual financial statements.

33. Authorisation by the Board of Directors

Company Executive Director have considered and adopted this Annual report of DK Holding Investments, s.r.o. for the financial year 1 January – 31 December 2021. To the best of our knowledge, the Annual report gives a true and fair view of the financial position, business activities, and financial results of its consolidated group for the current and past financial years. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

The consolidated financial statements and Annual report were authorised for issue on 12 July 2022 in Prague, Czech Republic.

Jaromír Tesař
Company Executive Director
DK Holding Investments, s.r.o.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of DK Holding Investments, s.r.o.:

Opinion

We have audited the accompanying consolidated financial statements of DK Holding Investments, s.r.o., and its controlled undertakings ("the Company"; together with controlled undertakings "the Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2021, and the 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. For details of the Company and the Group, see Note 1 to the consolidated financial statements.

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 European Union.

Basis for Opinion

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

Other Information

In 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 Statutory Representative 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.

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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 Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Statutory Representative for the Consolidated Financial Statements

The Statutory Representative is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Statutory Representative 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 Statutory Representative 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 Statutory Representative either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 above regulations 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 Statutory Representative.

- Conclude on the appropriateness of the Statutory Representative' 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 Statutory Representative 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.

Ernst & Young Audit, s.r.o.
License No. 401

Jiří Křepelka, Auditor
License No. 2163

12 July 2022
Prague, Czech Republic