Annual Report

EP Commodities

2020

This version of the Annual Report is a translation from the original which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original.

However, in all matters of interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over this translation.

Annual Report/ 2020

EP Commodities

Content

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Introduction by the Chairman of the Board of Directors

Dear Shareholders, Business Partners and Colleagues,

I am pleased to present you the Annual Report of EP Commodities, a.s. (hereinafter "EPC").

The year 2020 was impacted by the COVID-19 pandemic, which affected the lives of people worldwide across numerous industry sectors. This turbulent period brought new situations that called for a prompt response from us in order to protect our employees, maintain supplies of commodities and provide for the continuous operation of the assets of Energetický a průmyslový holding, a.s. (hereinafter "EPH").

EPC perceived how significantly the pandemic affected all spheres of society, primarily the healthcare sector. For this reason, we decided to help immediately at the beginning of the pandemic when EPC donated CZK 40 million to the Czech Republic for the purchase and transport of personal protective equipment from China. Building on this, we would like to become one of the leaders in corporate social responsibility.

In parallel with the imminent threat of the pandemic, EPC managed to significantly expand its activities in renewable resources, where we are constantly seeking to adapt and contribute to the fulfilment of climatic goals and reduction of the carbon footprint of European Union.

“

EPC reported sales of almost CZK 110 billion in 2020, which is a year-on-year increase of 36 %.

Miroslav Haško
Chairman of the Board of Directors

Market volatility and strong growth in trading and profit

Despite turbulent times, the Company recorded excellent financial results in 2020 and maintained the growing trend of all important indicators. EPC reported sales of almost CZK 110 billion in 2020, which is a year-on-year increase of 36%. The net profit increased by 78% to CZK 705 million. The principal reason was the expansion of our activities to Great Britain and Ukraine, where we fully utilised the experience and know-how we have already acquired in the optimisation of gas storage and transmission capacities. Our traders were able to make use of the market volatility to generate additional income for the Company.

This was partly reflected as well in the increased volume of business transactions. EPC in terms of both purchases and sales, EPC traded more than 266 TWh of natural gas, which is a year-on-year increase of 19%. A significant increase was also recorded in traded electricity, which increased year-on-year by 71% to 159 TWh. The increase was in part related to the expansion of the power portfolio in France at the end of 2019. Throughout the calendar year, the market experienced significant fluctuations in the prices of emission allowances, which resulted in an increase in the traded volume by more than half to 150 million tonnes of emission allowances. In addition to standard products, EPC traded spread and option transactions primarily used to hedge the performance of selected power plants in our portfolio.

Expansion of services and future outlook

The Company continues to develop its long-term strategy of becoming an important European player in the trading of commodities and at the same time being able to support all new investments and activities of the EPH group regarding market access, optimisation, and other functions.

We are actively pursuing the expansion of our infrastructure to other European countries, such as Ireland and the Balkans, e.g., Romania and Croatia, to join the already established and well-known Western and Central European markets.

In addition to our expansion activities, we are supporting the EPH group in the gradual decrease in the carbon footprint through ongoing investments in know-how and trading infrastructure in order to effectively provide services to EPH's growing portfolio of renewable resources. In 2020, Big Batt Lausitz, the largest battery energy storage in Germany with the output of 50 MW, became part of EPC's renewable assets portfolio optimised from Prague. Besides EPH assets, EPC optimises the renewable resources of external companies, which recorded significant growth in 2020.

EPC emerged strengthened from the disruption caused by the COVID-19 pandemic, with a robust platform for sustained business growth and strong financial performance. One of the key reasons behind our success are our employees. Hence, one of the main goals is to retain and further attract talent while continuously looking for market opportunities and maintaining a strong focus on risk management.

In conclusion, I would like to take this opportunity to sincerely thank our employees, shareholders and partners, who significantly contributed to the implementation of our strategy and allowed us to carry out our business activities. We are grateful to all of you for the success achieved in 2020.

Miroslav Haško
Chairman of the Board of Directors

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Company Profile

Company Profile

EP Commodities, a.s. is a joint-stock company specialising in trading in energy commodities, which mainly involves wholesale transactions with natural gas, electricity, emission allowances, coal (financially) and other products throughout the European regions.

The Company is part of the Energetický a průmyslový holding, a.s. (EPH) group, which is a leading Central European energy group that owns and operates facilities in the Czech Republic, Slovakia, Germany, Italy, Great Britain, Hungary, and France.

EP Commodities, a.s. primarily focuses on countries in which the EPH group has its own assets or whose liquidity enables effective trading. In addition to the physical and financial securing of assets for the EPH group, it also performs sourcing of the final customer portfolios in selected countries. We navigate the challenging waters of the often volatile and highly competitive market environment with agility. Our ability to thoroughly assess the situation and promptly adapt to it ensures immediate market access to every new group acquisition.

As a trading company, we bring EPH companies significant synergy effects in market access, overall sourcing efficiency, sales of production and asset optimisation.

EP Commodities, a.s. has experienced significant growth in volumes, revenues, and profits, as well as an increase in the number of transactions and counterparties ever since the trading company was established. Increasing volumes of sales on a year-to-year basis and creating a solid partnership with more than 110 European energy companies proves the resilience of our business model.

Energy commodity trading

Timeline

2014
EP Commodities was founded

2015
Start of gas trading (16 TWh), 4 employees

2016
Establishment of power trading department. Start of asset optimisation project. 16 employees

2017
Geographical expansion. New markets (HU, UK)

Gas
104 TWh

Power
36 TWh

EUA
49 mln t

45

2018

Asset optimisation unit running for power plants in Germany

2019

Start of optimisation for power plants in France. Trading in France

2020

Expansion to new foreign markets (UA, IE). Establishing new subsidiary in Ukraine

	2018	2019	2020
Revenues	CZK 56.8 bn	CZK 81.0 bn	CZK 109.8 bn
EBITDA*	CZK 375 mln	CZK 485 mln	CZK 871 mln
Gas	132 TWh	224 TWh	266 TWh
Power	67 TWh	93 TWh	159 TWh
EUA	78 mln t	94 mln t	150 mln t
	56	70	80

* EBITDA = Profit before income tax + interest expenses and income + depreciation and amortisation + taxes and charges

Commodity trading

The company follows EPH activities across Europe and mainly trades power, gas, and emission allowances.

Sourcing

Sourcing of gas and power for the portfolio of final customers in Czech Republic (EPET), Slovakia (SSE) and France (Gazel). In Italy, it purchases gas for entities in the group, primarily EP Produzione.

Proprietary trading

Trading in EPC consists of trading in power, gas, and emission allowances, possibly financially also other commodities such as coal or oil. A significant part of the company's portfolio represents gas storages, cross-border capacities, physical flows and providing flexibility throughout the region. Power trading follows the activities of the Group. EPC is currently active in the United Kingdom, Czech Republic, Slovakia, Germany, Italy, Hungary, and France.

Hedging

Activities cover the hedging of Italian and French power plants, and the execution of transactions for LEAG and Saale Energie GmbH in Germany, Czech power plants and UK assets.

Asset optimisation

The Asset optimisation department focuses on short-term trading within one month.

Short-term asset optimisation

The department is responsible for the short-term power plant optimisation and the bidding strategy for power and ancillary services. Currently these are provided to LEAG in Germany and Gazel in France.

Dispatch

The team performs its tasks on a 24/7 basis to optimise the output of the power plant portfolio on an intraday basis, manage outages and redispatch requests from the Transmission System Operator (TSO).

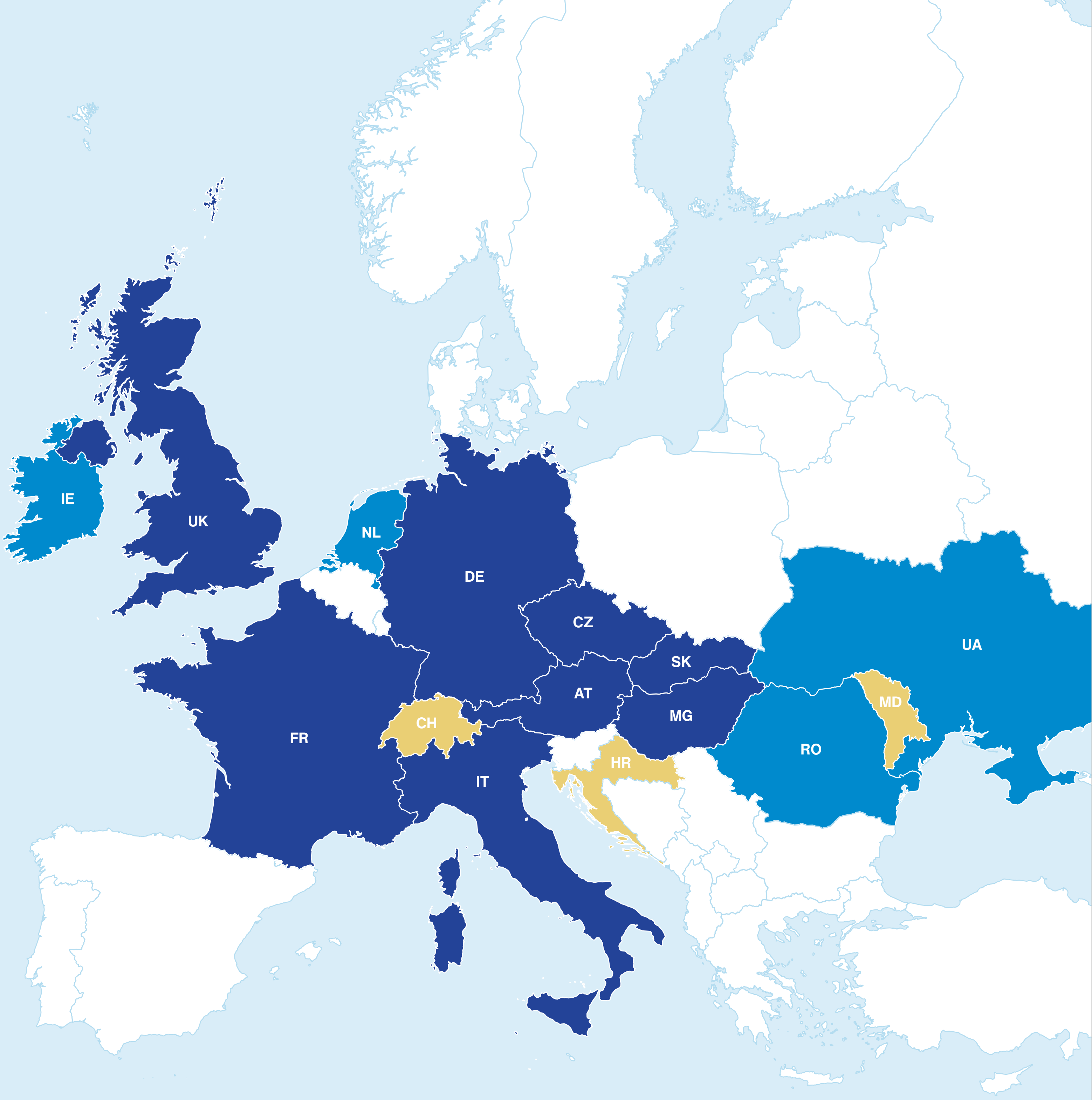
Short-term trading

The team responsible for market access for products shorter than one month. It focuses on minimising the transaction costs and cash involved and they also have a small proprietary trading mandate.

Asset optimization services

The department provides nominations (scheduling) of physical power supplies, compliance with contractual and technical conditions for access by operators and transmission systems, and purchases of transmission capacities for gas and power. In addition, it monitors changes in market rules.

Coverage of European markets for physical trading



Power trading

Czech Republic

France

Italy

Hungary

Germany

Austria

Slovakia

United Kingdom

Switzerland (in progress)

Natural gas trading

Czech Republic

France

Italy

Ireland

Hungary

Germany

Netherlands

Austria

Romania

Slovakia

United Kingdom

Ukraine

Croatia (in progress)

Moldova (in progress)

Gas and power

Gas

In progress

EPH

EP Infrastructure

Gas Transmission

SLOVAKIA

- eustream – SLOVAK GAS TSO

Gas & Power Distribution

SLOVAKIA

- SSE HOLDING
- Stredoslovenská distribučná
- Distribúcia SPP

CZECH REPUBLIC

- epet.

Heat Infra

CZECH REPUBLIC

- EOP – ELEKTRÁRNY OPATOVICE
- UE – UNITED ENERGY
- PLZEŇSKÁ TEPLÁRENSKÁ – Více než energie
- EP Sourcing
- EP Cargo (CZ)

Gas Storage

SLOVAKIA

- nafta
- POZAGAS

GERMANY

- nafta Speicher

CZECH REPUBLIC

- SPP Storage

Renewables & Other

RENEWABLES

- VTE Pchery
- Greeninvest
- Powersun
- Triskata
- Arisun
- Alternative Energy
- VTE Moldava II

OTHER

- AISE – ENERGIE POD KONTROLOU

EP Logistics International

Logistics

- LokoTrain
- EP Cargo Invest
- EP Cargo (CZ)
- EP Cargo (DE)
- EP Cargo (PL)
- EP Cargo Trucking
- SPEDICA – THE SPEDICA GROUP COMPANIES
- LOCON

The company is a member of the Energetický a průmyslový holding, a.s.

EP Power Europe

EP Real Estate

Power Generation

SLOVAKIA
- Slovenské elektrárne

ITALY
- EP Produzione

GERMANY
- LEAG
- Helmstedter Revier
- Saale Energie
- Kraftwerk Mehrum

UK
- EP Langage
- EP SHB
- EP Ballylumford
- EP Kilroot
- Eggborough Power Ltd

FRANCE
- GazelEnergie

IRELAND
- Tynagh Energy Limited

Mining

GERMANY
- LEAG
- MIBRAG

Renewables

GERMANY
- MIBRAG Neue Energie

SLOVAKIA
- Slovenské elektrárne

UK
- Lynemouth Power

ITALY
- BiomasseCrotone
- BiomasseItalia
- Fusine energia

FRANCE
- GazelEnergie

Other

- EP Commodities
- EP Resources
- Humbly Grove Energy

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Company Background

Company Background

Company name	**EP Commodities, a. s.**
Registered office	Klimentská 1216/46, Prague 1, 110 02
Corporate ID	034 37 680
Tax ID	CZ03437680
Recorded in the commercial register	Municipal Court in Prague, section B, insert 19973
Phone	+420 476 447 700
E-mail	info@epcommodities.cz
Website	www.epcommodities.cz

Sole shareholder	**EP Power Europe, a. s.**
Registered office	Pařížská 130/26, Josefov, 110 00 Prague 1
Corporate ID	278 58 685

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Market Development

Market Development

Macroeconomic developments

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

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

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

Figure 1: World Bank estimates on global annual GDP growth. Source: World Bank Global Economic prospects, I/2021.

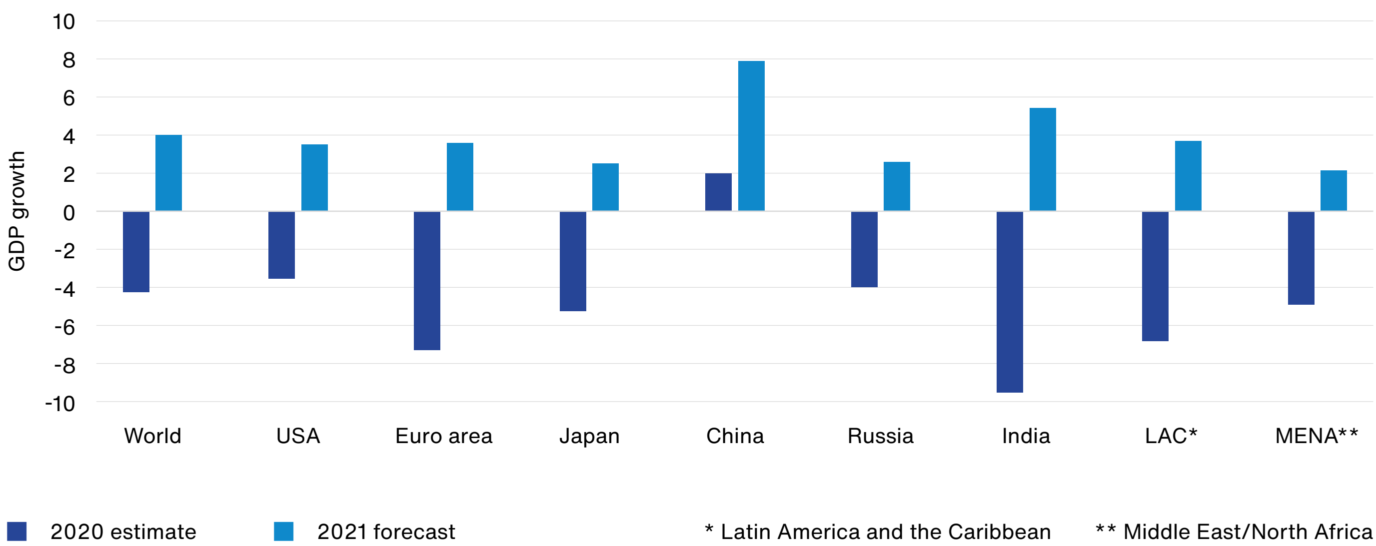
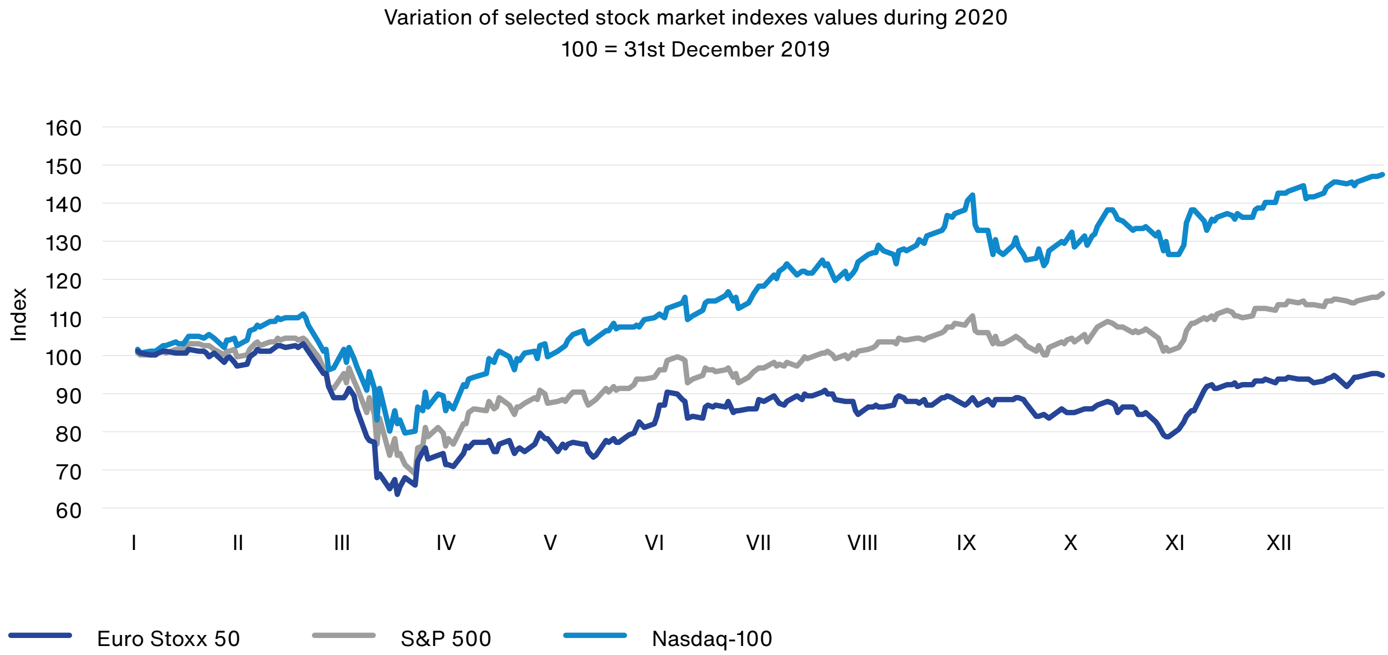


Figure 2: Variation of selected stock. Source: Reuters.



Energy Market Developments

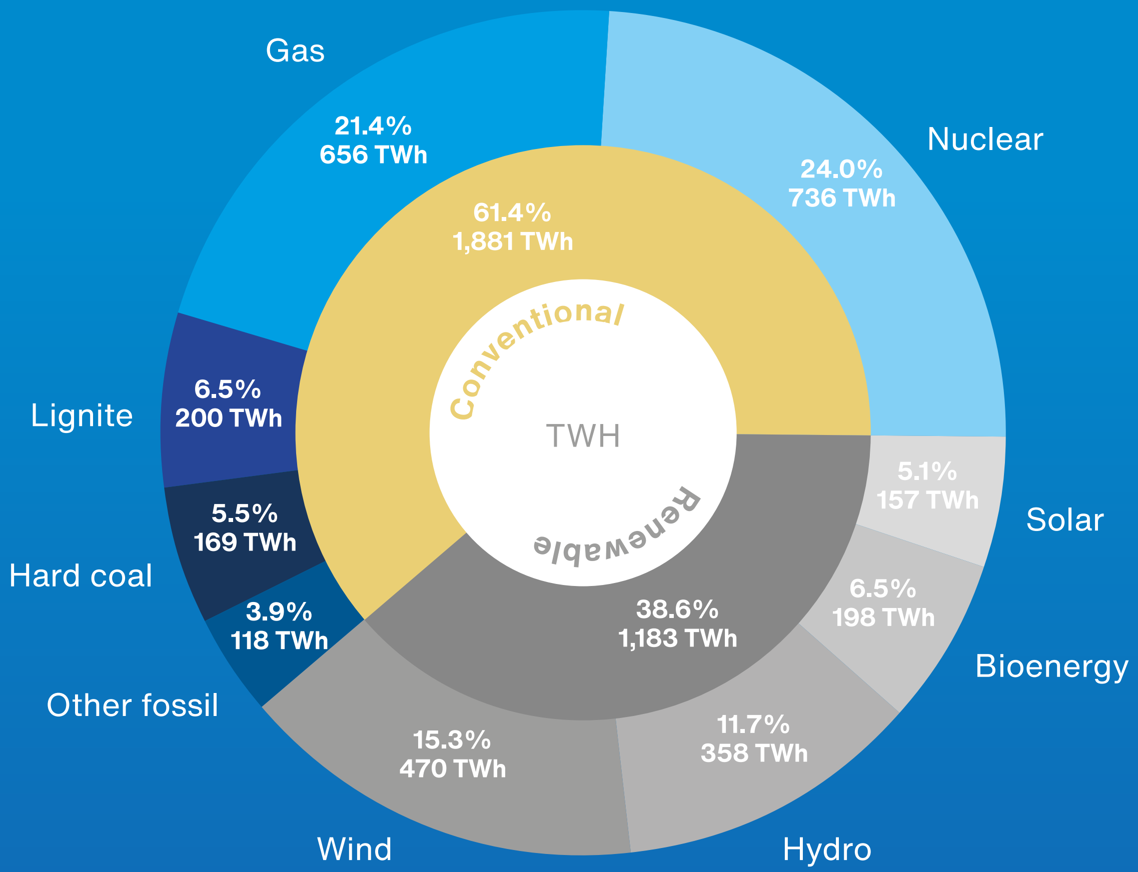
Electricity consumption

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

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

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

Shares of individual means of power generation in the electricity mix of the EU & UK



3,064

Total TWh

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

Conventional electricity production

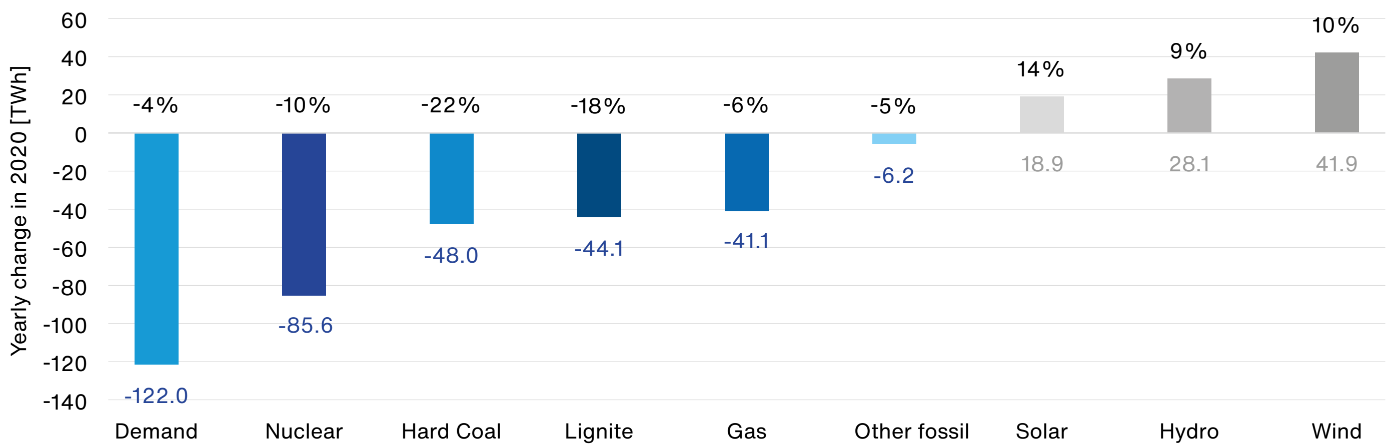
The amount of electricity produced in EU+1 states during 2020 was 3,065 TWh (Figure 3), dropping by 4% compared to the previous year. Lower demand in the wake of coronavirus impact took its toll on fossil and nuclear power generation, the losses of which outweighed the increase in renewable production.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

Hard coal and lignite-fired power plants produced annually 22% (-48 TWh) and 18% (-44 TWh) less electricity than in 2019, respectively (Figure 4). Absolute coal generation fell most notably in Germany (-37 TWh), Poland (-9 TWh) and the Netherlands (-8 TWh), while decreasing also in almost every other country utilizing coal. Only about a half of the coal collapse is attributable to additions in wind and solar generation while a half is due to the drop in the power demand. Should the 2021 demand recover, wind and solar would need to rise faster to sustain the recent fall in coal. In order to meet the EU's 55% emissions reduction target, coal would need to be almost eliminated from the power mix by 2030, according to the European Commission's impact assessment.

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

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

Figure 4: Year-on-year change in the European electricity demand and generation per production type. Source: Agora Energiewende.

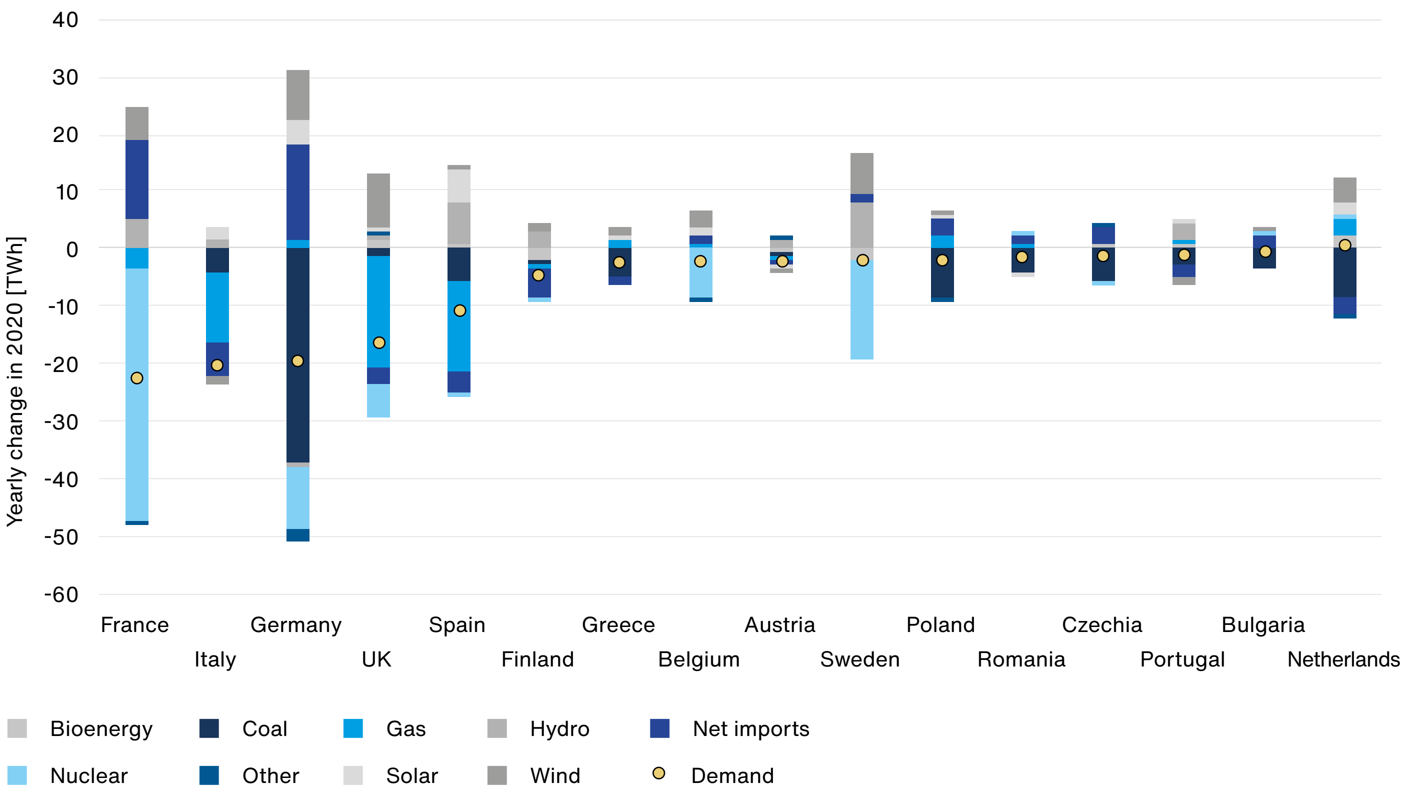


Renewable electricity production

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

Wind power output increased by 42 TWh, led by UK (+9 TWh), Germany (+9 TWh) and Sweden (+7 TWh). Solar power generation recorded biggest yearly growth since 2012 by 19 TWh. As in the previous years, most of the increase is thanks to only few countries (Figure 5): Spain (+6 TWh), Germany (+5 TWh) and the Netherlands (+3 TWh). For the first time ever, France joined Denmark and Sweden when its wind and solar generation overtook fossil. However, the additions in wind and solar production vary greatly throughout Europe as many countries, some with excellent renewable conditions, have added hardly any capacity since 2015: Portugal, Romania, Austria, Italy, Czech Republic, Slovakia,

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



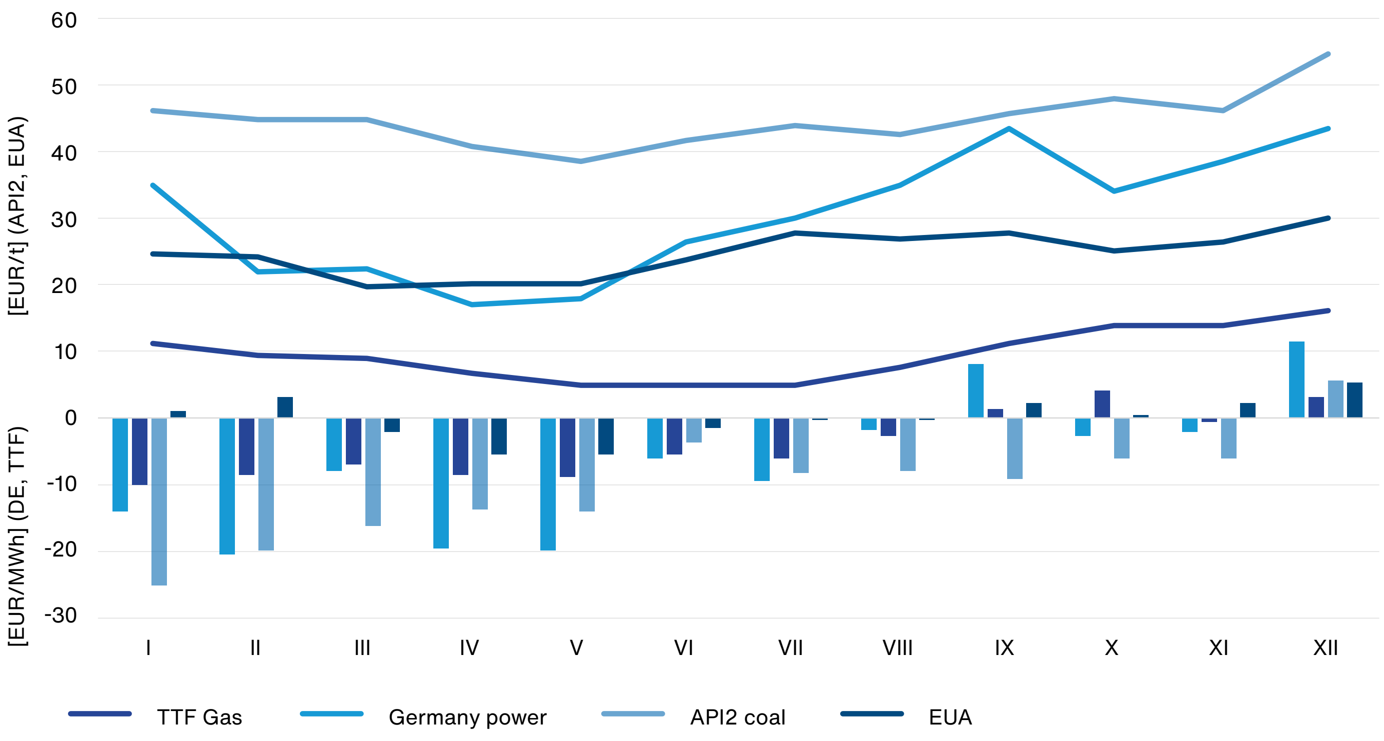
and Bulgaria. To meet the new green deal target, EU wind and solar generation needs to almost triple by 2030, amounting to an annual production growth of 100 TWh.

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

Power prices

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

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



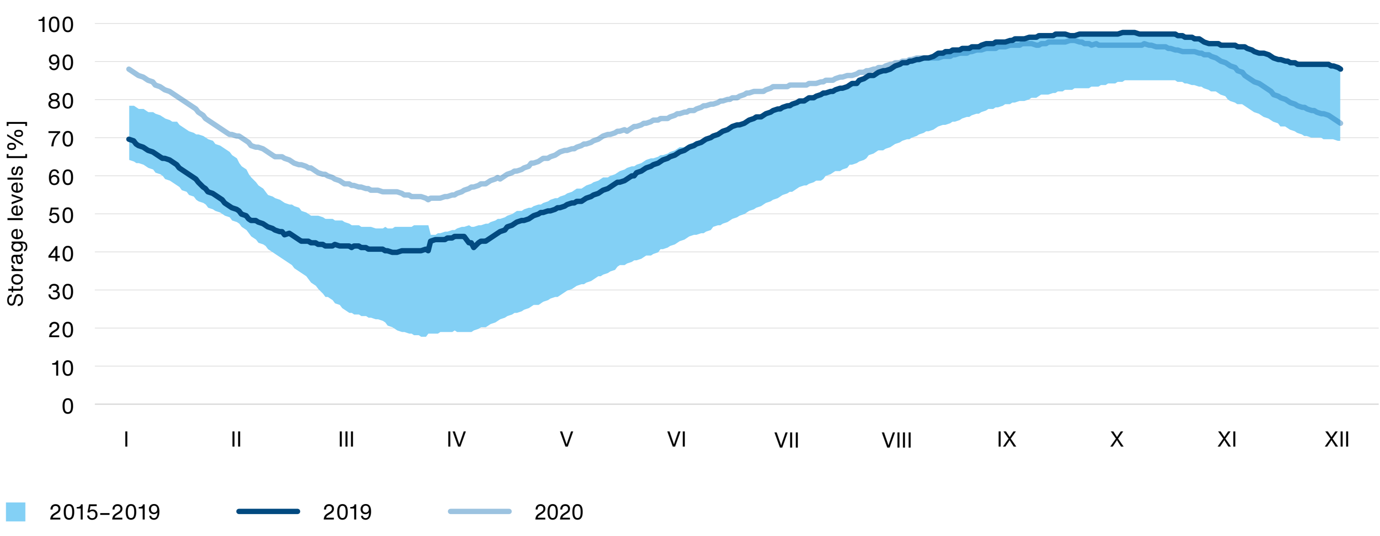
Average yearly wholesale electricity prices in Germany and France dropped roughly by 7 EUR/MWh in 2020 to 30 and 32 EUR/MWh, respectively. A similar decrease of 7 EUR/MWh was seen in central European countries: Austria (33 EUR/MWh), Czech Republic (34 EUR/MWh), Slovakia (34 EUR/MWh), Poland (47 EUR/MWh).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

Natural gas

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

According to the International Energy Agency, gas global demand will grow by 2.8% in 2021, which would set demand at 2019 levels, with emerging markets leading this recovery, and developed countries having a slower rebound that would put some of them even below 2019 levels. This

Figure 7: Combined European Storages Levels. Source: AGSI.



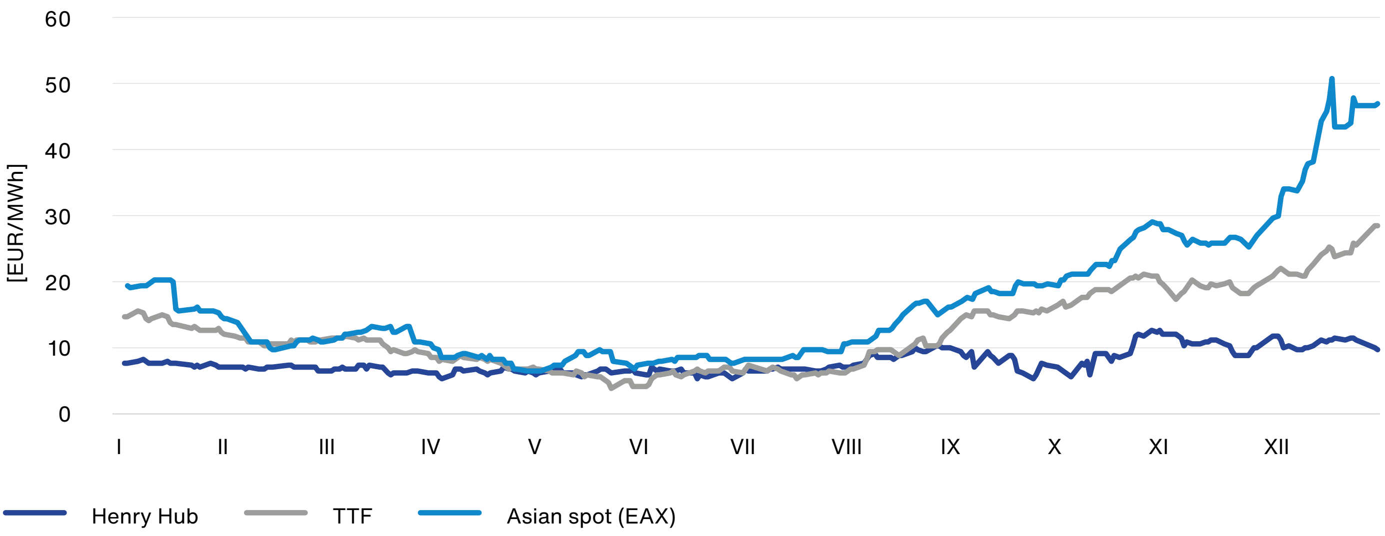
recovery would face several risks, such as fuel switching, slow industrial rebound and potential mild weather that would reduce consumption.

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

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

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

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



Liquified Natural Gas (LNG)

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

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

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

The combination of excess of supply and lower global gas demand impacted severely in investment in liquefaction projects, which was almost entirely interrupted in 2020. This contrasts with the case of 2019, which recorded an all-time-high number of final investment decisions (FIDs) reaching almost 100 bcm of new liquefaction capacity approved (Figure 10). A similar situation happened on the gas exploration spending, which declined to 9 billion dollars in 2020, less than half of the 16 billion reached in 2019. The impact of this long investment pauses for the short and mid-term outlook in global gas markets is yet unknown.

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

Figure 9: LNG Volumes traded, spot and short-term, share in total trading, 2015–2020.
Source: International Energy Agency, Gas Market Report, Q1-2021.

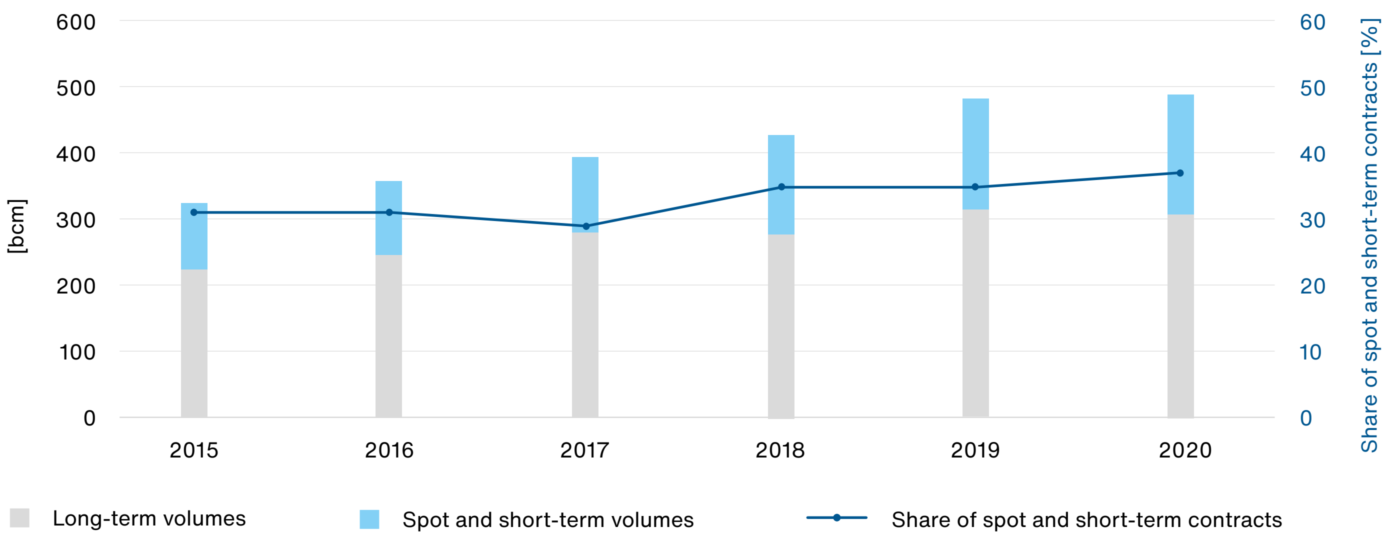
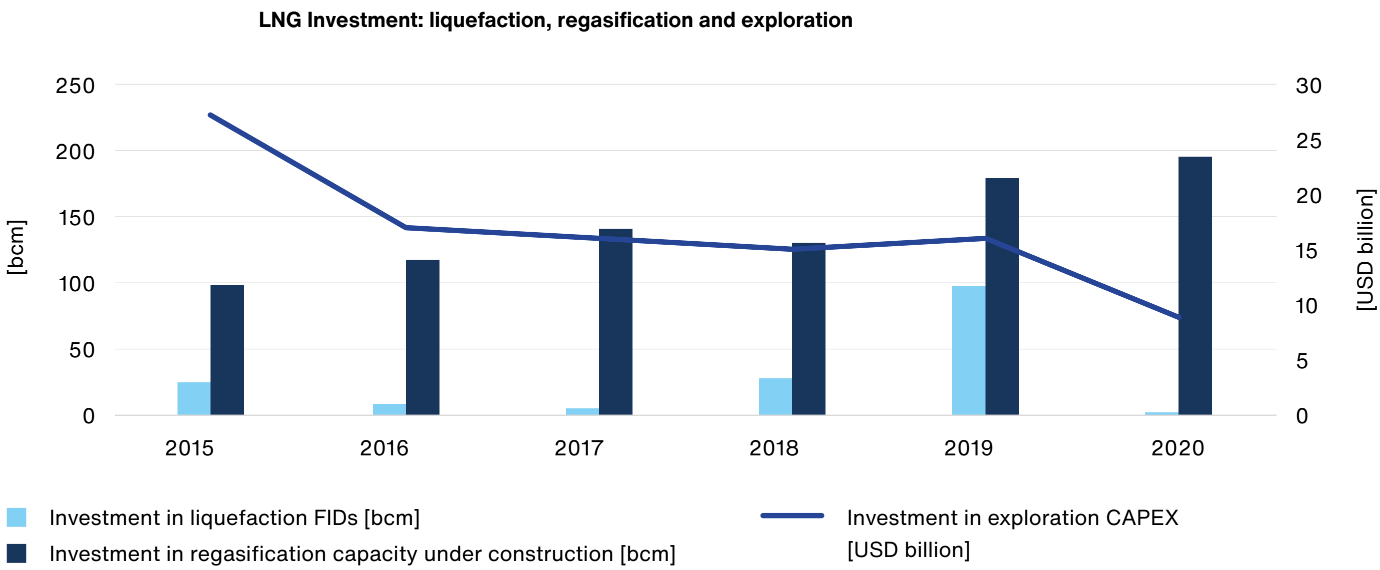


Figure 10: LNG Investment in liquefaction, regasification, and exploration.
Source: International Energy Agency, Gas Market Report, Q1-2021



Oil

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

Oil benchmark prices WTI and Brent entered the year 2020 at levels 61.18 USD/bbl and 66.25 USD/bbl respectively. The fall in demand combined with oversupplied market, in addition in combination witha price war between Saudi Arabia and Russia in March, led to a sharp fall in the price of oil. To help stabilise prices, in April OPEC+ agreed to cut total global output by 9.7 mb/d, the single largest output cut in history, equivalent to around 10% of global production.

Without a demand, the world's biggest producers were running out of storage capacities to store the surplus supply. While all the US tanks were not full yet, third week of April the Cushing storage utilisation was nearly 79% and the spare capacity reportedly fully leased out to producers and traders.

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

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

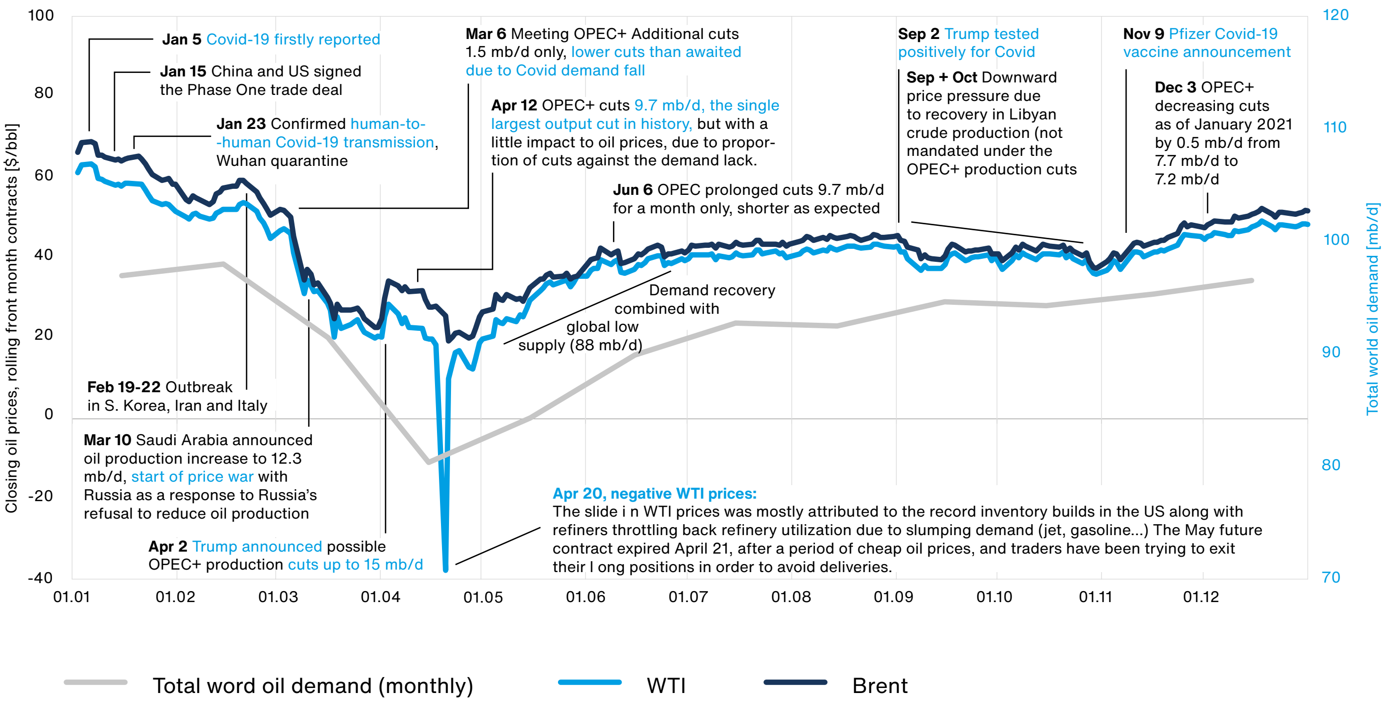
Coal

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

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

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

Figure 11: Closing prices oil, OPEC decisions, milestones, oil demand.
Source: Reuters, internet. mb/d = million barrels/day



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

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

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

EUA

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

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

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

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

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

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

Global Economic Development

Brexit

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

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

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

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

Germany coal phase-out

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

Global coronavirus pandemic in 2019–2020

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

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

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

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

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

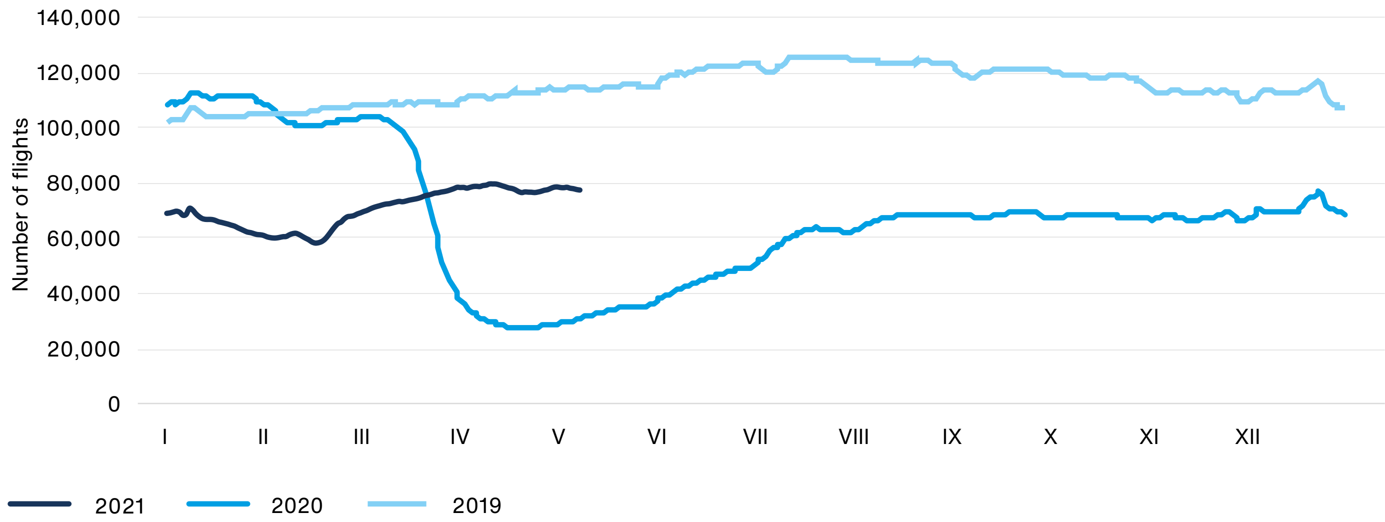
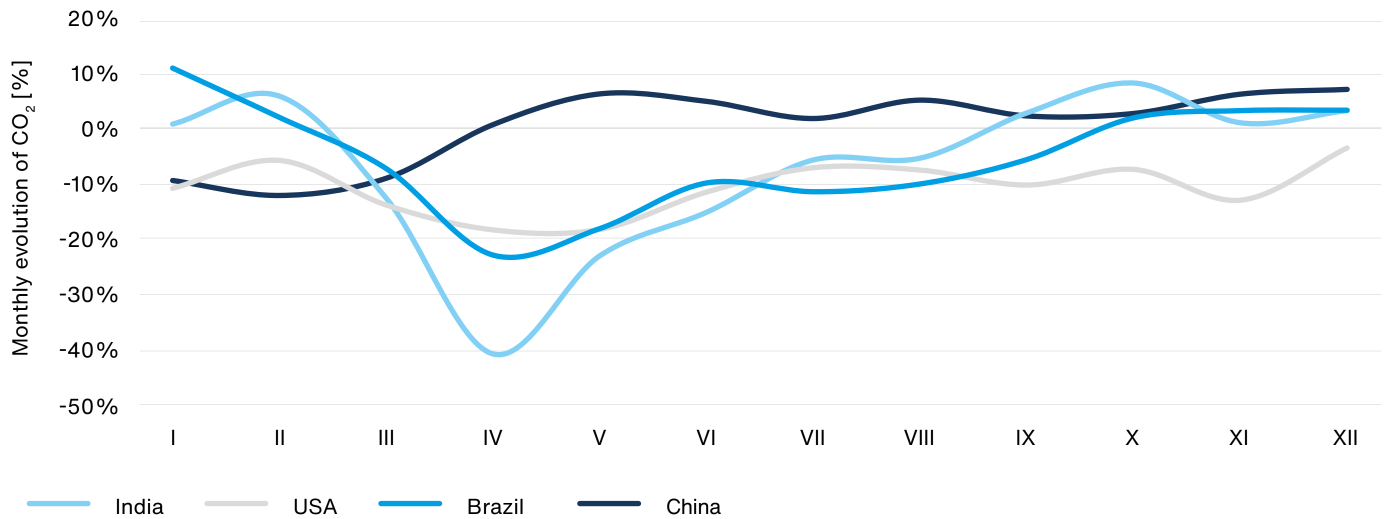


Figure 13: Monthly evolution of CO_2 emissions in selected major economies, 2020 relative to 2019 (Source IEA).



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

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

As primary energy demand dropped nearly 4% in 2020, global energy-related CO_2 emissions fell by 5.8% according to the latest statistical data, the largest annual percentage decline since World War II. Demand for fossil fuels was hardest hit in 2020 – especially oil, which plunged 8.6%, and coal, which dropped by 4%. Oil's annual decline was its largest ever, accounting for more than half of the drop in global emissions.

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

US election and energy market implication

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

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

- Achieve 100% clean energy and net-zero emissions by 2050, making a federal investment of USD 1.7 trillion over the next ten years, leveraging additional private sector and state and local investments to total to more than USD 5 trillion.

- If executed strategically, the response to climate change shall create more than 10 million well-paying jobs.

- To rally the rest of the world to meet the threat of climate change with U.S. lead an effort to get every major country to ramp up the ambition of their domestic climate targets.

- Acting against fossil fuel companies and other polluters who put profit over people and knowingly harm our environment and poison our communities' air, land, and water, or conceal information regarding potential environmental and health risks.

- Fulfil the government's obligation to workers and communities who powered our industrial revolution and subsequent decades of economic growth.

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

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

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

on Company’s Business Activities and Balance of its Assets

The statutory financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

Economic results of 2020

For the 2020 accounting period, EP Commodities, a.s. reported sales of CZK 109.8 billion and the result of operations before tax of CZK 869.9 million, primarily owing to a margin generated from the wholesale market with natural gas, electricity and emission allowances and revenues from provided services.

Principal business activities in 2020

The Company's principal business activity is the wholesale of natural gas, electricity and emission allowances on European markets.

The total trade in natural gas and electricity in all markets amounted to 425 TWh and in emission allowances to 150 million tonnes in 2020.

Further development

In 2021, the Company primarily aims to carry out its function of a trading centre and expand services provided to entities in the EPH group.

The Company also plans to increase the number of employees and expand the entire corporate team.

Acquisition of own shares

The Company did not acquire own shares this year.

Subsidiary

On 3 November 2020, the Company established the subsidiary EP COMMODITIES UKRAINE LLC, in which it owns a 100% share in the share capital.

Research and development activities

The Company does not focus on research and development activities.

Environmental protection and labour relations

In handling consumable materials, the Company always adopts an environmentally friendly approach.

Employment relations are governed by the Labour Code.

Information on risk management objectives and methods

The Company is exposed to market risk as a part of its common business activity. The Company's management, in cooperation with its Risk Management Department, monitors and assesses the risks on regular basis. The management's objective is to reduce any possible negative effects of the risks, which is done through commodity derivatives.

Material subsequent events

No other significant post balance sheet events occurred as of the annual report signing date.

Prague, 9 June 2021

Miroslav Haško
Chairman of the Board of Directors

Daniel Pexidr
Member of the Board of Directors

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Report of the Supervisory Board

on the Results of its Supervisory Activities

In 2020, the Supervisory Board of EP Commodities, a.s. performed tasks in compliance with the Business Corporations Act and the Company's articles of association.

The Supervisory Board regularly monitored the Company's financial management and balance of its assets, and reviewed economic analyses. It checked and verified the fulfilment of tasks allocated to the Board of Directors by the General Meeting, resp. the decision of the sole shareholder acting in the capacity of the General Meeting, as well as the observance of generally-binding legal regulations and the Company's articles of association.

During 2020, when exercising its right to supervise, the Supervisory Board followed the Company's articles of association and generally-binding legal regulations valid for the activities of joint stock companies. In the mentioned period, the Supervisory Board focussed primarily on its main task, i.e., the supervision over the exercise of powers of the Board of Directors and the review of the annual financial statements and the proposal for profit settlement.

In the shareholder's interest, the Supervisory Board also concentrated, among other things, on the continuous monitoring of economic results, the performance of the business plan and the resolutions adopted by the regular General Meeting. It additionally assisted the Board of Directors in fulfilling the joint stock company's development strategy.

The Board of Directors has provided the Supervisory Board with all necessary background materials, information, and explanations. The Supervisory Board did not discover any shortcomings or violations of the Company's articles of association or applicable legal regulations in the activities of the Board of Directors.

Prague, 9 June 2021

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Independent Auditor's Report

to the Shareholder
of EP Commodities, a.s.

Deloitte Audit s.r.o.
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Registered by the Municipal
Court in Prague, Section C,
File 24349
ID. No.:49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
EP Commodities, a.s.

Having its registered office at: Klimentská 1216/46, Nové Město, 110 00 Praha 1

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of EP Commodities, a.s. for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 3rd July 2020.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information. As part of our responsibilities related to the audit of the financial statements, we are obliged to express our opinion on the other information.

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

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

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

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

<u>Auditor's Responsibilities for the Audit of the Financial Statements</u>

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

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

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

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

In Prague on 9 June 2021

Audit firm:

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

Statutory auditor:

Ladislav Šauer
evidenční číslo 2261

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Individual Financial Statements for the Year Ended 31 December 2020

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

This version of the Individual financial statements is a translation from the original which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the Individual financial statements takes precedence over this translation.

Financial Statements for the Year Ended 31 December 2020

Name of the Company:	EP Commodities, a. s.
Registered Office:	Klimentská 1216/46, 110 00 Praha 1 - Nové Město
Legal Status:	Joint Stock Company
Corporate ID:	034 37 680

Components of the Financial Statements:

Statement of Financial Position
Statement of Comprehensive Income
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Statements

These financial statements were prepared on 9 June 2021

Statutory body of the reporting entity:	Signature
Miroslav Haško Chairman of the Board of Directors	
Daniel Pexidr Member of the Board of Directors	

Statement of financial position

In CZK thousand

	Note	31 Dec 2020	31 Dec 2019
Assets			
Property, plant and equipment	5	24,942	31,804
Intangible assets	5	28,608	15,988
Trade receivables	6	56,501	135,076
Deposits and margin deposits	7	2,665,841	1,554,798
Receivables from revaluation of derivatives	8 (a)	684,445	717,282
Tax receivables		38,938	-
Deferred tax asset	9	-	6,784
Total non-current assets		**3,499,275**	**2,461,732**
Inventories	10	2,661,848	-
Trade receivables	6	8,511,869	7,923,059
Deposits and margin deposits	7	145,741	13,882
Receivables from revaluation of derivatives	8 (a)	7,418,210	7,952,339
Loans granted	11	3,805,681	2,669,665
Cash and cash equivalents	12	79,935	121,238
Other non-financial assets	13	31,361	32,213
Total current assets		**22,654,645**	**18,712,396**
Total assets		**26,153,920**	**21,174,128**
Equity			
Share capital	14	100,000	100,000
Retained profits (accumulated losses)		1,121,709	725,263
Profit (loss) for the current period		704,804	396,446
Total equity		**1,926,513**	**1,221,709**
Liabilities			
Trade payables and other financial liabilities	15	639,736	648,347
Liabilities from revaluation of derivatives	8 (b)	1,280,515	710,938
Deferred tax liability	9	110,962	-
Total non-current liabilities		**2,031,213**	**1,359,285**
Loans and borrowings	16	572,884	410,281
Trade payables and other financial liabilities	15	9,593,160	8,798,043
Received deposits and margin deposits	17	1,320,143	1,466,613
Liabilities from revaluation of derivatives	8 (b)	10,634,142	7,851,181
Other non-financial liabilities	18	75,865	40,878
Tax liabilities	15	-	26,138
Total current liabilities		**22,196,194**	**18,593,134**
Total liabilities		**24,227,407**	**19,952,419**
Total equity and liabilities		**26,153,920**	**21,174,128**

Statement of comprehensive income

In CZK thousand

	Note	2020	2019
Sales	19	109,829,150	80,968,750
Cost of sales	20	(109,462,840)	(80,543,607)
Gain (loss) from commodity derivatives for trading	21	885,563	262,568
Subtotal		**1,251,873**	**687,711**
Personnel expenses	22	(163,538)	(112,670)
Depreciation and amortisation		(26,460)	(21,420)
Taxes and charges		(102)	(2,715)
Other operating income	23	2,128,273	12
Other operating expenses	23	(2,142,701)	(13,729)
Profit (loss) from operations		**1,047,345**	**537,189**
Interest income and expenses	24	67,775	39,881
Other finance income and expenses	24	(245,201)	(84,758)
Net finance income (loss)		**(177,426)**	**(44,877)**
Profit (loss) before income tax		**869,919**	**492,312**
Income tax expenses	25	(165,115)	(95,866)
Profit for the period		**704,804**	**396,446**

Statement of changes in equity

In CZK thousand

	Share capital	Retained profits	Total equity
Balance at 1 Jan 2019 pursuant to IFRS	**100,000**	**725,263**	**825,263**
Profit (loss)		396,446	396,446
Balance at 31 Dec 2019	**100,000**	**1,121,709**	**1,221,709**
Balance at 1 Jan 2020 pursuant to IFRS	**100,000**	**1,121,709**	**1,221,709**
Profit (loss)		704,804	704,804
Balance at 31 Dec 2020	**100,000**	**1,826,513**	**1,926,513**

Statement of cash flows

In CZK thousand

	Note	2020	2019
OPERATING ACTIVITIES			
Profit/ (loss) for the year		704,804	396,446
Adjustments for:			
Income tax		165,115	95,866
Depreciation and amortisation		26,460	21,420
Change in allowances		1,649	298
Interest expenses and income	24	(67,775)	(31,112)
Unrealised foreign exchange gains/ (losses), net		19,128	19,096
Operating profit before changes in working capital		**849,381**	**502,014**
Change in trade receivables and other assets		(1 773 434)	(2,970,447)
Change in trade payables and other liabilities		611 138	2,885,106
Change in inventories		(2,661,848)	120,020
Change in trade receivables and liabilities from revaluation of derivatives	8	3,919,504	(1,164,226)
Cash flows generated from (used in) operating activities		**944,741**	**(627,533)**
Interest paid		(40,765)	(8,296)
Income tax paid	25	(112,445)	(114,345)
Net cash flows generated from (used in) operating activities		**791,530**	**(750,174)**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(7,518)	(6,395)
Loans provided to related parties	11	(4 495,796)	(2,680,497)
Repayment of loans provided to related parties	11	3 392,904	3,007,869
Interest received	11	120,003	8,856
Cash flows from (used in) investing activities		**(990,407)**	**329,833**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings received	16	7,683,525	7,172,419
Repayment of loans and borrowings	16	(7,560,922)	(6,756,953)
Payment of lease liabilities		(5,030)	(6,013)
Cash flows from (used in) financing activities		**117,573**	**409,453**
Net increase (decrease) in cash and cash equivalents		(81,303)	(10,888)
Cash and cash equivalents at the beginning of period	**12**	**121,238**	**138,445**
Effect of exchange rate fluctuations on cash held		40,001	(6,319)
Cash and cash equivalents at the end of period	**12**	**79,936**	**121,238**

The notes to financial statements on pages 65 to 128 are an integral part of these financial statementsy.

Notes to the Financial Statements (translated from the Czech original)

In CZK thousand

1 General information

EP Commodities, a.s. ("the Company") was incorporated on 29 September 2014, by being recorded in the Commercial Register of the Municipal Court in Prague, section B, insert 19973. The principal activities of the Company are trading in gas and electricity, and manufacture, trade and services not listed in Annexes 1 to 3 to the Trade Licensing Act.

Ownership structure

The sole shareholder of the Company as at 31 December 2020 was:

EP Power Europe, a. s.
Pařížská 130/26
110 00 Praha 1 - Josefov
Czech Republic

As at 31 December 2020, the shareholders of Energetický a průmyslový holding, a.s., 100% owner of EP Power Europe, a.s., were:

	Interest in the share capital %	Voting rights %
EP Corporate Group, a. s.	53.00	53.00
EP Investment II S.à.r.l.	3.00	3.00
KUKANA ENTERPRISES LIMITED	44.00	44.00
Total	**100.00**	**100.00**

Daniel Křetínský is the ultimate owner of the Group.

Registered office

EP Commodities, a. s.
Klimentská 1216/46
Praha 1 - Nové Město
Czech Republic

Corporate ID

034 37 680

Statutory body as of 31 December 2020

Members of the Board of Directors

Miroslav Haško
CHAIRMAN OF THE BOARD OF DIRECTORS

Daniel Pexidr
MEMBER OF THE BOARD OF DIRECTORS

Marek Spurný
MEMBER OF THE BOARD OF DIRECTORS

Pavel Horský
MEMBER OF THE BOARD OF DIRECTORS

Jan Špringl
MEMBER OF THE BOARD OF DIRECTORS

Supervisory Board

Daniel Křetínský
CHAIRMAN OF THE SUPERVISORY BOARD

Peter Černák
MEMBER OF THE SUPERVISORY BOARD

Petr Sekanina
MEMBER OF THE SUPERVISORY BOARD

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by EP Investment S.à.r.l, with its registered office at Avenue John F. Kennedy 39, 1855, Luxembourg, registration number: B 184488. The consolidated financial statements are available at the consolidating entity's registered office.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by EP Power Europe, a.s., with its registered office at Praha 1, Josefov, Pařížská 130/26. The consolidated financial statements are available at the consolidating entity's registered office.

On 3 November 2020, the Company established a subsidiary EP COMMODITIES UKRAINE LLC, in which it holds a 100% equity investment.

The financial year corresponds to the calendar year. The financial statements have been prepared for the period from 1 January 2020 to 31 December 2020 ("2020"). The comparative period is the calendar year from 1 January 2019 to 31 December 2019 ("2019").

2 Basis of the Individual Financial Statements

a) Statement of compliance

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

The Board of Directors approved the financial statements on 9 June 2021.

These financial statements are not consolidated.

b) Basis of measurement

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

- derivative financial instruments
- inventories

c) Functional and presentation currency

The functional and presentation currency of the Company is the Czech crown ("CZK").

The Company specialises in trading with energy commodities for companies in the Energetický a průmyslový holding a.s. (EPH) group, it is therefore closely connected to the parent company, to which it reports in Czech crowns as part of internal reporting. Commodity trading across Europe takes place in euros; to a lesser extent, the Company also trades in British pounds and US dollars.

The Company's primary role is to provide the services and knowledge of commodity traders in order to achieve maximum trading efficiency within the EPH group and to carry out speculative commodity trades. All of the Company's activities are performed from the headquarters in the Czech Republic, therefore, a substantial portion of operating expenses is denominated in Czech crowns, including staff costs. Provided and received loans and borrowings are denominated in euros to cover currency risks and due to more advantageous interest rates. The share capital is denominated in Czech crowns.

When determining the functional currency, the Company's management concluded that both the Czech crown and the euro are relevant for the Company's activities. Considering the above factors and the fact that the Czech crown is the currency of the Czech Republic, where the Company is based and from where it performs its business activities, the Company's management has concluded that the Czech crown is the Company's functional currency.

d) Use of estimates and assumptions

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Group's management to make assumptions based on its own judgement in applying accounting policies. The reported accounting estimates – due to being estimates – rarely equal the real values.

Estimates and assumptions are reviewed on a continuous basis. Revisions of accounting estimates are reported in the period in which the estimate is reviewed, if the revision impacts only this period, or in the revision period and future periods, if the revision impacts the current and future periods.

I. Use of estimates

Information on uncertainty in estimates with increased risk of material revision in the following reporting period is listed in the following notes:

- Note 4 – Determination of fair value of derivatives
- Note 3(e)ii and Note 27 (a) – Determination of allowances for receivables

DETERMINATION OF FAIR VALUE

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

The Group to which the Company belongs has an established control framework with respect to the fair value measurement, including a valuation team with overall responsibility for reviewing all significant fair value measurements.

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

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for an asset or a liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices)

Level 3: inputs for an asset or liability that is unobservable on the market (unobservable input data).

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

All derivatives are measured at market observable data – namely energy stock exchanges (excluding quoted prices), and therefore belong to Level 2. The Company does not own any assets or liabilities measured at Level 3.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no such changes in 2020.

II. Use of estimates and judgements

The Company carried out selected judgements relating to the application of IFRS 15, as described in more detail in Note 3(g).

e) Most recent accounting standards

I. Recently adopted accounting standards

The following paragraphs summarise principal requirements of the International Financial Reporting Standards effective for the annual reporting periods beginning on or after 1 January 2020 that have therefore been applied in the Company for the first time.

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

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

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

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

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

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

The amendment does not have any material impact on the Company's financial statements.

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

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

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

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

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform of benchmark interest rates used as a base for determining variable interest rates (such as interbank offered rates, primarily LIBOR rates). In addition, the amendments require companies to provide additional information to investors directly affected by these uncertainties about their hedging relationship. Moreover, the amendments stipulate the procedure in replacing the existing interest rates by other alternative rates and address the impacts on hedge accounting. The amendments also affect disclosures and brings additional requirements for the information regarding the uncertainty arising from the interest rate benchmark reform.

These amendments have no material impact on the Company’s financial statements. The Company holds no financial instruments with variable interest rates based on reformed reference rates.

II. Standards which have not yet taken effect

IFRS 17 INSURANCE CONTRACTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023 (THE EU HAS NOT YET ADOPTED THIS STANDARD)) AND IFRS 4 – EXTENSION OF THE TEMPORARY EXEMPTION FOR APPLYING IFRS 9 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023)

Insurance contracts combine the features of a financial instrument and a service agreement. Numerous insurance contracts additionally generate cash flows with significant variability over a long period of time. In order to provide useful information on these features, IFRS 17 combines measurement of future cash flow at the present value with the recognition of profit over the period of provision of services under the contract, presents the results of insurance policies separately from financial income or costs of insurance and requires the reporting entity to make an accounting policy choice whether to recognise all financial income or financial expenses from insurance in the profit or loss or whether to recognise part of this income or expenses in other comprehensive income.

Given the nature of the principal activities of the Company, this standard will have no impact on the on the Company's financial statements.

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

The amendments specify the classification of debts and other liabilities as current and non-current and stipulate how to determine whether the debts or other liabilities with an uncertain settlement date in the statement of financial position are classified as current (payable or with the possibility of being repaid within one year) or non-current. The amendments contain a specification of classification requirements for debt instruments that the Company may settle through capitalisation.

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

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

The amendments to IFRS update references to the Conceptual Framework, the amendments to IAS 16 prohibit to companies from making a deduction of an amount received from the sale of items arising when assets are put in the condition necessary for use from the acquisition cost of fixed assets, and presents this income and relating costs in profit or loss, and the amendments to IAS 37 clarify what costs are taken into account by an entity when assessing whether a contract is onerous.

Annual amendments amend the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplifying the application of IFRS 1 for a subsidiary which is a first-time adopter after the parent company was a first-time adopter, defining the reporting of cumulative exchange rate differences), IFRS 9 Financial Instruments (clarifying what fees an entity includes in an assessment whether the conditions of a new or modified financial liability have substantially changed compared to the conditions of the original liability), IAS 41 Agriculture (removing the requirements for the exclusion of cash flows relating to taxation in the determination of fair value) and illustrative examples accompanying IFRS 16 Leases.

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

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

The amendments make it possible for the lessee not to assess whether the rent concession as a direct consequence of COVID-19 is a lease modification. The lessee may report rent concessions as if they were not lease modifications. The amendments do not address reporting by the lessor.

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

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 – INTEREST RATE BENCHMARK REFORM – PHASE 2 (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021)

The amendments relate to modifications of financial assets, financial liabilities and lease liabilities (reporting of modifications in relation to the reform), specific requirements for hedge accounting (hedge accounting is not discontinued solely for the reason of the reform, hedge relationship and documentation must be modified) and requirements for disclosures under IFRS 7 that accompany the amendments.

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

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

f) Going concern

At the end of 2019, first information on COVID-19 (coronavirus) came from China. In the first months of 2020, the virus spread throughout the world and caused extensive economic damage. The Company's management recorded no decline in sales given the nature of the Company, or any deterioration of the Company's financial situation. The Company generated higher sales than in 2019 and has significant unused credit facilities as of the financial statements preparation date that provide it with sufficient liquidity. The Company's management will continue monitoring the potential impact and will make all necessary steps to reduce any negative impacts on the Company and its employees.

The Company's management has considered potential impacts of COVID-19 on its activities and business and concluded that they have no significant impact on the going concern assumption. As a result, the financial statements as of 31 December 2020 were prepared based on the going concern assumption.

3 Significant Accounting Policies

The following accounting policies have been consistently applied to all periods presented in these financial statements.

a) Cash and cash equivalents

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

b) Fixed assets

Property, plant and equipment

I. OWNED ASSETS

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (e) – Impairment).

Acquisition cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (h) – Financial revenues and expenses). The acquisition cost also includes costs of dismantling and removing the items.

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

II. LEASED ASSETS (RIGHT OF USE) – IFRS 16 LEASES

The Company assesses whether a contract falls under IFRS 16. For such contracts, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is depreciated, and the liability accrues interest. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

If the contract does not meet the requirements of IFRS 16, the lease payments are reported on a straight-line basis over the lease term in profit or loss.

DEFINITION OF A LEASE

The Company assesses whether an agreement has the character of a lease or contains the lease based on a new lease definition. An agreement is or contains a leasing arrangement if it gives the customer the right to control the use of an identified asset over a time period in exchange for consideration. Control exists if the customer has the right to obtain substantially all economic benefits from the use of the asset and also the right to direct its use.

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

The Company applies IFRS 16 to all leases including leases of right-of-use assets under sub-leasing, with the exception of:

(a) lease for investigating or use of minerals, oil, natural gas, and similar non-renewable resources;

(b) lease of biological assets under IAS 41 Agriculture, held by the lessee;

(c) service concession under IFRIC 12 Service Concession Arrangements;

(d) intellectual property rights licences provided by the lessor in the extent of IFRS 15 Revenue from Contracts with Customers; and

(e) intangible assets pursuant to IAS 38 Intangible Assets.

LESSOR ACCOUNTING

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

In the case of a finance lease, the lessor reports in the statement of financial position a receivable in an amount equal to the net financial investment in the lease. Throughout the lease term, it reports financial revenues in the statement of comprehensive income.

In the case of an operating lease, the lessor recognises an underlying asset in the statement of financial position. Throughout the lease term, the lessor reports lease payments as financial revenues in the statement of comprehensive income on a straight-line basis, and depreciation of the underlying asset as an expense.

In 2020, the Company did not act as a lessor.

LESSEE ACCOUNTING

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

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

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of a purchase, extension or termination option; or
- in-substance fixed lease payments.

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

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

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

SERVICE PART OF A LEASE PAYMENT

Accounting for leases of vehicles, the Company does not separate the service fee from the lease payments. Total lease payments are used to calculate the lease liability. For other lease contracts the service fee is separated from the lease payments. Service fee is recognised as an expense in the statement of comprehensive income, the remaining portion is used to calculate the lease liability.

LEASE TERM

The term of a lease arrangement is determined as of the lease arrangement commencement date based on the non-cancellable lease arrangement.

Lease agreements where the lease term is set for an indefinite term (or with a set notice term of more than 12 months) cannot be regarded as short-term lease arrangements benefiting from an exception from application. For the purposes of determination of the carrying value of an asset, the non-cancellable term is set as the notice term. In the event the non-cancellable term is set as shorter than 12 months, a company applies the exception and assesses the transaction as a short-term lease arrangement.

III. SUBSEQUENT COSTS

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

IV. DEPRECIATION

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

The estimated useful lives are as follows:

- Buildings and constructions (right-of-use) 5 years (depending on the lease term)
- Fixtures, fittings and others 3–5 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.

Intangible assets

V. SOFTWARE AND OTHER INTANGIBLE ASSETS

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

VI. AMORTISATION

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

▪ Software	3 years
▪ Other intangible assets	3 years

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

c) Financial assets and liabilities

Classification and measurement of financial assets and liabilities in the Company:

Financial instruments	IFRS 9
Financial assets	
Receivables from revaluation of derivatives	FVTPL
Granted loans	FAAC
Cash and cash equivalents	FAAC
Trade receivables	FAAC
Financial liabilities	
Liabilities from revaluation of derivatives	FVTPL
Loans and borrowings	FLAC
Trade payables and other financial liabilities	FLAC

* FVTPL – financial assets/liabilities measured at fair value through profit or loss
FAAC – financial assets measured at amortised cost
FLAC – financial liabilities measured at amortised cost

Non-derivative financial assets

I. CLASSIFICATION

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

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

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

A debt instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collection of the contractual cash flows and selling of the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

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

At initial recognition, the Company may irrevocably designate a financial asset measured at amortised cost or at FVOCI to the category measured at FVTPL, if doing so eliminates or significantly reduces a measuring or accounting mismatch ("accounting discrepancy") that could otherwise arise in measuring assets or liabilities or recognising relevant profits or losses on different bases.

II. RECOGNITION

Financial assets are recognised at the date the Company becomes party to the contractual provision of the instrument.

III. MEASUREMENT

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

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

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

IV. DERECOGNITION

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

V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

Non-derivative financial liabilities

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

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

Derivatives

For risk and cash flow management purposes, the Company uses financial and commodity derivative contracts.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. On initial recognition, derivatives are measured at fair value and any change in fair value is recognised in profit or loss.

Remeasurement to fair value is recognised in profit or loss from operations as derivative trading is one of the principal activities of the Company. Gain (loss) from commodity derivatives for trading is recognised net in independent line "Gain /(loss) from commodity derivatives for trading" in profit or loss from operations.

The fair value of derivatives is classified as a non-current receivable or a non-current liability if the derivative is settled in more than 12 months, or as a current receivable or a current liability if the derivative is settled within 12 months.

d) Inverse Gas Storage Facility

The principal activity of the Company involves trading with energy commodities. This includes also a product "inverse gas storage facility". This type of trade consists in a purchase of a certain capacity of an underground gas storage facility which the Company is able to trade on the commodity market immediately following the signing of the contract with the gas storage facility operator. Under the contractual terms and conditions, the Company is obligated to return the purchased capacity at a certain point in time. The Company reports sales of gas when the acquired capacity is sold and at the same time reports estimated costs as estimated payables showing the future value of the purchased gas based on current forward purchase prices on the commodity market for which the gas will be subsequently returned. The value of estimated payables is accrued.

For this transaction, the Company pays the gas storage facility operator a fixed fee, reported in costs. The Company is entitled to calculate the estimated difference between the sales (current) price and purchase (future) price of gas for which the Company will purchase the gas at the time the capacity will be returned to the operator. This “premium” is reported as revenue from services in the year the contract on the inverse storage facility is concluded. Related payments are then accrued.

e) Impairment

I. NON-FINANCIAL ASSETS

The carrying amounts of the assets and deferred tax assets (refer to Note 3 (i) – Income taxes) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset’s recoverable amount is estimated. For intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least once a year at the same date.

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”).

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

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

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

The Company reports loss allowances using the estimated credit loss model ("ECL") for financial assets measured at amortised acquisition costs, debt instruments reported in other comprehensive income ("FVOCI"). Loss allowances are measured on either of the following bases:

- 12 month ECL: estimated credit loss resulting from financial instrument's failure which may occur during the 12-month period from the date of recognition;

- Lifetime ECLs: these are ECLs that result from all possible default events of debtors over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables, the Company decided to apply the calculation of loss allowances representing lifetime ECLs under a simplified regime.

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

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

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

b) the Company negotiates with the debtor about debt restructuring (at the request of the debtor or the Company); or

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

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

At each balance sheet day, the Company assesses whether impairment of financial assets measured at amortised cost has occurred. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company considers financial asset to be credit-impaired if:

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

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

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

d) the debtor's probability of default has increased by 100% compared to previous rating; or

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

For the purposes of ECL calculation, the Company uses components needed for the calculation, namely probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Exposure at default represents the positive difference between the receivable and liability, or between the deposit provided and received, by individual customers/suppliers.

Forward-looking information means any macroeconomic factor projected for the future, which has a significant impact on the development of credit losses. ECLs are present values of probability-weighted estimates of credit losses. The Company considers mainly the expected growth in gross domestic product, reference interest rates, stock exchange indices, and unemployment rates.

PRESENTATION OF LOSS ALLOWANCES

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and the year-on-year change is recognised in the income statement.

f) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

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

g) Revenues

Revenues from energy trading comprise both realised (settled) and unrealised (change in fair value) net gains and losses from trading in physical and financial energy contracts. These contracts are recognised under IFRS 9 (e.g., as derivatives), until the time of settlement, and are reported in accordance with IFRS 15, when settled.

I. REVENUES FROM CONTRACTS WITH CUSTOMERS

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

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

The Company has identified the following main sources of Revenue in accordance with IFRS 15:

- sale of gas, electricity, emission rights and other energy products (energy products);
- services provided.

REVENUE FROM THE SALES OF ENERGY PRODUCTS TO DEALERS

The principal activity of the Company involves wholesale commodity trading – gas, electricity and emission rights. These contracts represent derivative trading. The Company recognises the revenue in accordance with IFRS 15 upon delivery (settlement) of the energy products to the customer. The moment of the transfer of the control over the products is considered as the moment of delivery, i.e., when the customer gains the benefits, and the Company fulfils the performance obligation. Revenues are measured at spot prices (or their equivalent represented by the agreed forward price and the fair value of the derivative right before the delivery) attributed to the transferred goods, and reflect the volume of delivery.

Contractual conditions are individual, however, and to a large extent, they are determined by a standard EFET contract or trade conditions on the market managed by the relevant market operator. Invoicing is performed in the month following the month of the trade settlement. In most cases, prepayments are not required. For most invoices issued, maturity is 20 days from the end of the invoicing period. Related receivables are presented in current assets in Trade receivables and other assets.

The Company accepts risks related to the acquisition of individual commodities, and their subsequent sale to customers is fully up to the Company. Under IFRS 15, the Company acts as a principal and not an agent. All realised revenues (and related costs) are therefore reported on a gross basis (gross amount including cost).

Derivative contracts for the purchase and sale of energy commodities are reported under IFRS 9 until the time of settlement. The own-use exception is not applied due to the character of the Company's business.

REVENUE FROM PROVIDED SERVICES

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable; and the amount of revenue can be measured reliably.

Revenue from provided services is reported in the statement of comprehensive income as at the balance sheet day. No revenue is recognised if there are significant doubts regarding the recovery of the consideration due, or regarding the associated costs.

Revenue from services is connected with services rendered by the Company to other companies within the Group based on concluded service provision contracts. Services are invoiced monthly or quarterly. The prices are fixed. The revenues also include services provided to external customers, e.g., logistics and transfer fees. Prices and payment terms and conditions are based on individual contracts.

II. ENERGY TRADING

Revenues from energy trading comprise unrealised (change in fair value) net gains and losses from trading in physical and financial energy contracts.

h) Financial revenues and expenses

I. FINANCIAL REVENUES

Financial revenues comprise principally interest income from loans and realised and unrealised foreign exchange rate gains. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Realised and unrealised gains from commodity trading derivatives remeasurement are reported net together with realised and unrealised losses in the profit or loss from operations.

II. FINANCIAL EXPENSES

Financial expenses comprise mostly interest expense on loans and borrowings, bank fees, bonuses for guarantees issued by the parent company and other external entities, and unrealised and realised foreign exchange losses. Realised and unrealised losses from commodity trading derivatives remeasurement are reported net together with realised and unrealised gains in the profit or loss from operations.

i) Income tax

Income taxes comprise current and deferred tax. Income taxes are recognised in the statement of comprehensive income, except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

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

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

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

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

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

4 Determination of fair value

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

a) Non-derivative financial assets

Net book value of financial assets not measured at fair value represents an approximation of their fair value as financial assets mostly comprise current receivables, or non-current receivables where the financing element is not significant, cash, deposits and margin deposits the value of which generally corresponds with the nominal value of paid cash.

Due to the credit quality of the counterparty and the short remaining maturity of the instruments, the fair values of those loans are close to their net book value.

b) Non-derivative financial liabilities

Net book value of financial liabilities not measured at fair value represents an approximation of their fair value as financial liabilities mostly comprise current payables, or non-current payables where the financing element is not significant, received deposits and margin deposits the value of which generally corresponds with the nominal value of paid cash.

Due to the contractual characteristics of the liabilities, namely the option to settle the liabilities in full free of any sanctions, their fair value is close to their net book value.

c) Derivatives

The fair value of commodity derivatives (forward and swap contracts), for the sale of electricity, gas and emission rights is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). From the point of view of IFRS 13, determination of fair value comes under level 2 as it is based on the active market prices of gas, electricity and emission rights.

Clean dark spread option contracts represent financially settled derivative contracts whose fair value is determined by the BlackScholes model used to determine the value of options, and the input data of this model comprise the market prices of the underlying assets (electricity, coal, emission rights). From the point of view of IFRS 13, determination of fair value comes under level 2 as it is based on the active market prices of gas, electricity and emission rights.

Fair value of currency derivatives (currency forwards) derives from the market prices of an identical currency pair with an identical settlement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty where appropriate.

5 Non-current assets

a) Property, plant and equipment

2019 (in CZK thousand)

	Land and buildings[1]	Technical equipment, plant and machinery[1]	Total
Acquisition cost			
Balance at 1 Jan 2019	**34,153**	**7,428**	**41,581**
Additions	-	532	532
Disposals	-	-	-
Balance at 31 Dec 2019	**34,153**	**7,960**	**42,113**
Depreciation and impairment losses			
Balance at 1 Jan 2019	**(421)**	**(1,322)**	**(1,743)**
Depreciation charge for the year	(6,251)	(2,315)	(8,566)
Disposals	-	-	-
Balance at 31 Dec 2019	**(6,672)**	**(3,637)**	**(10,309)**
Carrying amount			
At 1 Jan 2019	**33,732**	**6,106**	**39,838**
As at 31 Dec 2019	**27,481**	**4,323**	**31,804**

(1) Including right-of-use assets.

2020 (in CZK thousand)

	Land and buildings[(1)]	Technical equipment, plant and machinery[(1)]	Total
Acquisition cost			
Balance at 1 Jan 2020	**34,153**	**7,960**	**42,113**
Additions	347	1,545	1,892
Disposals	-	-	-
Balance at 31 Dec 2020	**34,500**	**9,505**	**44,005**
Depreciation and impairment losses			
Balance at 1 Jan 2020	**(6,672)**	**(3,637)**	**(10,309)**
Depreciation charge for the year	(6,328)	(2,426)	(8,754)
Disposals	-	-	-
Balance at 31 Dec 2020	**(13,000)**	**(6,063)**	**(19,063)**
Carrying amount			
At 1 Jan 2020	**27,481**	**4,323**	**31,804**
As at 31 Dec 2020	**21,500**	**3,442**	**24,942**

(1) Including right-of-use assets.

b) Intangible assets

2019 (in CZK thousand)

	Software	Other intangible assets	Total
Acquisition cost			
Balance at 1 Jan 2019	**35,192**	**-**	**35,192**
Additions	5,944	-	5,944
Disposals	-	-	-
Balance at 31 Dec 2019	**41,136**	**-**	**41,136**
Amortisation and impairment losses			
Balance at 1 Jan 2019	**(11,834)**	**-**	**(11,834)**
Amortisation charge for the year	(13,314)	-	(13,314)
Disposals	-	-	-
Balance at 31 Dec 2019	**(25,148)**	**-**	**(25,148)**
Carrying amount			
At 1 Jan 2019	**23,358**	**-**	**23,357**
As at 31 Dec 2019	**15,988**	**-**	**15,988**

2020 (in CZK thousand)

	Software	Other intangible assets	Total
Acquisition cost			
Balance at 1 Jan 2020	**41,136**	**-**	**41,136**
Additions	23,505	6,821	30,326
Disposals	-	-	-
Balance at 31 Dec 2020	**64,641**	**6,821**	**71,462**
Amortisation and impairment losses			
Balance at 1 Jan 2020	**(25,148)**	**-**	**(25,148)**
Amortisation charge for the year	(17,706)	-	(17,706)
Disposals	-	-	-
Balance at 31 Dec 2020	**(42,854)**	**-**	**(42,854)**
Carrying amount			
At 1 Jan 2020	**15,988**	**-**	**15,988**
As at 31 Dec 2020	**21,787**	**6,821**	**28,608**

Leases

The Company leases office premises including parking spaces. The lease contract is concluded until 30 June 2024. The Company also leases passenger cars, recognised in line with IFRS 16 as non-current assets. Lease contracts are concluded for a period of 3 years.

Right-of-use assets

In CZK thousand

	Land and buildings	Technical equipment, plant and machinery	Total
Balance at 1 Jan 2019	**31,871**	**1,675**	**33,546**
Depreciation charge for the year	(5,795)	(912)	(6,707)
Additions to right-of-use assets	-	480	480
Disposals of right-of-use assets	-	-	-
Balance at 31 Dec 2019	**26,076**	**1,243**	**27,319**

Maturity analysis of lease liabilities

In CZK thousand

	2019
Total lease liabilities	**27,533**
Under 1 year	6,606
1–5 years	20,927

Right-of-use assets

In CZK thousand

	Land and buildings	Technical equipment, plant and machinery	Total
Balance at 1 Jan 2020	**26,076**	**1,243**	**27,319**
Depreciation charge for the year	(5,871)	(986)	(6,857)
Additions to right-of-use assets	346	1,366	1,712
Disposals of right-of-use assets	-	-	-
Balance at 31 Dec 2020	**20,551**	**1,623**	**22,174**

Maturity analysis of lease liabilities

In CZK thousand

	2020
Total lease liabilities	**22,503**
Under 1 year	6,551
1–5 years	15,952

6 Trade receivables

In CZK thousand

	31 Dec 2020	31 Dec 2019
Trade receivables	7,540,989	6,808,212
Estimated receivables	305,318	1,019,853
Other receivables and assets	724,235	230,592
Loss allowances for receivables	(2,171)	(522)
Total	**8,568,370**	**8,058,135**

Estimated receivables represent current unbilled sales realised mostly with related parties.

Other receivables and other assets represent mostly accrued income in the form of a premium related to the inverse gas storage, which the Company receives from the gas storage operator. In addition, they include accrued margins calculated from buy-back deals concluded with Gazprom Marketing & Trading Limited (over the contract term) and accrued income realised in the course of a single project relating to the asset optimisation division with related party Lausitz Energie, commenced in 2018. As shown in the following table, some of the receivables are non-current.

In CZK thousand

	31 Dec 2020	31 Dec 2019
Other receivables and assets – current	667,734	95,516
Other receivables and assets – non-current	56,501	135,076
Total other receivables and assets	**724,235**	**230,592**

In 2020, receivables of CZK 0 were written-off through profit or loss (2019: CZK 0).

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

As at 31 December 2020, trade receivables and other assets of CZK 0 were overdue (2019: CZK 2,700 thousand); the remaining portion are trade receivables within due date. For more detailed ageing analysis refer to Note 27 (a) – Risk management – credit risk (impairment losses).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 27 – Risk management and disclosure principles.

7 Deposits and margin deposits

Long-term advances paid represent mostly trading security deposits (commodity stock exchange, market operators, operators of transmission pipeline systems for natural gas and electricity).

In CZK thousand

	31 Dec 2020	31 Dec 2019
Margins – long-term advances	2,665,841	1,554,798
Short-term advances – operations	145,741	13,882
Total deposits and margin deposits	**2,811,582**	**1,568,680**

8 Derivatives

a) Receivables from the revaluation of commodity derivatives

Receivables from the revaluation of commodity derivatives for trading

In CZK thousand

	31 Dec 2020	31 Dec 2019
Commodity derivatives	**8,102,655**	**8,669,621**
Current	7,418,210	7,952,339
Non-current	684,445	717,282

As at 31 December 2020, receivables from the revaluation of derivatives from companies controlled by the ultimate owner total CZK 2,749,656 thousand (as at 31 December 2019: CZK 4,179,669 thousand), and receivables from associates of the ultimate owner total CZK 851,837 thousand as at 31 December 2020 (31 December 2019: CZK 165,831 thousand).

b) Payables from the revaluation of commodity derivatives

In CZK thousand

	31 Dec 2020	31 Dec 2019
Commodity derivatives	**11,914,657**	**8,562,119**
Current	10,634,142	7,851,181
Non-current	1,280,515	710,938

As at 31 December 2020, payables from the revaluation of derivatives from companies controlled by the ultimate owner total CZK 6 117 923 thousand (as at 31 December 2019: CZK 2,254,827 thousand), and payables to associates of the ultimate owner total CZK 409,979 thousand as at 31 December 2020 (31 December 2019: CZK 658,413 thousand).

Derivatives reported at fair value fall under level 2 in the fair value hierarchy (for details on valuation methods, refer to Note 2(d) i.).

Receivables and payables from the revaluation of commodity derivatives by type:

31 DEC 2020

In CZK thousand

	Fair Value		Nominal value	
	Receivables	Payables	Receivables	Payables
Financially settled OTC contracts (power swap)	749,109	1,412,143	10,383,393	6,668,442
Forwards – settled physically	6,662,958	9,931,743	53,153,412	39,212,623
Options*	56,192	56,192	95,723	95,723
Currency forwards	25,803	53,908	596,822	678,788
Unsettled portion of the fair value of stock exchange trades	608,593	460,671	-	-
Total	**8,102,655**	**11,914,657**	**64,229,350**	**46,655,576**

31 DEC 2019

In CZK thousand

	Fair Value		Nominal value	
	Receivables	Payables	Receivables	Payables
Financially settled OTC contracts (power swap)	1,497,247	504,316	8,377,794	3,127,186
Forwards – settled physically	6,858,400	7,574,426	43,921,081	39,012,942
Options*	311,352	332,907	415,335	453,558
Currency forwards	2,622	529	100,245	77,831
Unsettled portion of the fair value of stock exchange trades	-	149,941	-	-
Total	**8,669,621**	**8,562,119**	**52,814,455**	**42,671,517**

* Bonus relating to these options is part of their fair value.

The table below shows the analysis of the derivatives as at the end of the reporting period by individual products and divided by sale/purchase and whether the resulting revaluation represents a receivable or a payable.

In CZK thousand

	31 Dec 2020		31 Dec 2019	
Purchase	**Receivable**	**Payable**	**Receivable**	**Payable**
Electricity	4,083,423	19,607	456,294	2,445,224
Gas	3,060,811	72,719	114	4,320,217
CO_2	43,707	-	816	21,153
Other	107,443	517,107	40,314	339,360

Purchase	Receivable	Payable	Receivable	Payable
Electricity	17,156	4,586,073	3,088,654	933,618
Gas	123,248	3,811,808	4,616,889	101
CO_2	1,924	2,753,842	150,101	313,606
Other	664,943	153,501	316,439	188,840
Total	**8,102,655**	**11,914,657**	**8,669,621**	**8,562,119**

The tables above show the fair values of the derivatives' open positions with OTC counter-parties. Changes in the market price (and therefore fair value) of stock exchange contracts are settled daily with the stock exchange with a one-day delay and the only value of these contracts entering into receivables and payables is the unsettled portion of the fair value of stock exchange trades as at the last day of trading.

Therefore, in the balance sheet, the Company does not record the fair values of stock exchange contracts (futures) as the fair value has already been settled, and the fair values of the derivatives are not part of the above summary (except for the revaluation on the last day). However, the Company monitors the nominal value of open stock exchange contracts by type of stock exchange where the trade is settled, and by position (sale/purchase). The table below shows the summary of nominal values:

31 DEC 2020

In CZK thousand

Stock exchange	Purchase	Sale	Net
European Energy Exchange AG	(36,630,245)	26,333,963	(10,296,282)
Intercontinental Exchange, Inc.	(28,972,730)	26,049,211	(2,923,519)
Total	**(65,602,975)**	**52,383,174**	**(13,219,801)**

31 DEC 2019

In CZK thousand

Stock exchange	Purchase	Sale	Net
European Energy Exchange AG	(58,192,225)	41,653,896	(16,538,329)
Intercontinental Exchange, Inc.	(14,970,502)	10,106,541	(4,863,961)
Total	**(73,162,727)**	**51,760,437**	**(21,402,290)**

Reconciliation of changes in derivatives and the relation between the cash flow statement (CF) and the statement of comprehensive income

In CZK thousand

	2020	2019
Change in trade receivables and liabilities from revaluation of derivatives (see CF)	**(3,919,504)**	**1,164,226**
Financial settlement of swaps	1,507,386	758,216
Derivative contracts settled through stock exchange	3,030,483	(680,821)
Physically settled contracts*	(902,102)	(977,102)
Unsettled part of stock exchange (MCQ)	(199,932)	887
Other	4,060	(2,838)
Revaluation of storage facility	1,365,172	-
Net gain (loss) from commodity derivatives for trading (see Note 24)	**885,563**	**262,568**

* Physically settled contracts represent the fair value that is transferred to sales or cost of sales when the physically settled contracts are delivered.

9 Deferred tax assets and liabilities

Deferred tax liability recorded in the balance sheet relates to the following items:

In CZK thousand

	31 Dec 2020	Recognised in profit or loss	Recognised in equity	31 Dec 2019	Recognised in profit or loss	Recognised in equity
Non-current assets	303	62	-	241	80	-
Provisions	12,843	6,300	-	6,543	(270)	-
Deferred tax asset	**13,146**	**6,362**	**-**	**6,784**	**(190)**	**-**
Gas inventory remeasured at fair value	124,108	124,108	-	-	-	-
Deferred tax liability	**124,108**	**124,108**	**-**	**-**	**-**	**-**
Net deferred tax liability	**110,962**	**117,746**	**-**	**(6,784)**	**190**	**-**

10 Inventories

The Company purchases inventories of natural gas and stores it in underground storage facilities. Inventories are measured at the lower of the acquisition cost and net realisable value. Acquisition costs of inventories comprise the cost directly incurred in connection with the acquisition (customs duty, transportation, insurance, commissions, discounts, etc., but excluding foreign exchange rate gains or losses). Disposals of these inventories are measured using the FIFO method.

Inventories purchased for their sale and generation of profit arising from the market price volatility are measured at fair value decreased by the costs of sale as of the balance sheet date.

Changes in fair value decreased by the costs of sale are recognised in profit or loss in the period when the change occurred, the change in the fair value is presented in Gain (loss) from commodity derivatives for trading.

GAS RESERVES

In CZK thousand

	31 Dec 2020	31 Dec 2019
Total	**2,661,848**	**-**

11 Loans granted

In CZK thousand

	Interest rate[1]	Due date	31 Dec 2020	31 Dec 2019
Loans to other than credit institutions			**3,805,681**	**2,669,665**
Energetický a průmyslový holding, a.s.	1.5% p.a. + 3m EURIBOR	31 Dec 2021	3,805,681	1,905,750
EP Power Europe, a.s.	4.04% p.a.	31 Dec 2020	-	763,915

(1) Euribor rate was negative throughout the year and in line with the loan agreements, if lower than 0, it is not included in the interest rate.

The loan provided to Energetický a průmyslový holding can be repaid anytime without additional fees. The loan matures in 2021 and is therefore presented as short-term. On 4 August 2020, the original maturity of the loan to Energetický a průmyslový holding, a.s. was extended until 31 December 2021 and the credit facility was increased from CZK 2,362,050 thousand to CZK 4,199,200 thousand. In addition, the maturity of the loan to EP Power Europe, a.s. was extended until 31 December 2020. There were no other changes.

Reconciliation of changes in short-term loans granted

LOANS GRANTED

In CZK thousand

	2020	2019
Balance at 1 Jan	**2,669,665**	**2,964,848**
Loans granted	4,565,272	2,680,497
Loans repaid	(3,333,682)	(3,007,869)
Interest income	53,923	39,881
Interest paid	(120,003)	(8,856)
Foreign exchange gains/losses	(29,494)	1,164
Balance at 31 Dec	**3,805,681**	**2,669,665**
Changes in credit throughout the year	**1,136,016**	**(295,183)**

12 Cash and cash equivalents

No loss allowance in accordance with IFRS 9 was created for the cash. As the banks where the Company holds its bank accounts are listed in rated companies, the probability of default of the debtor is assessed at zero, for details refer to Note 27 (a).

In CZK thousand

	31 Dec 2020	31 Dec 2019
Current bank accounts and cash at hand	**79,935**	**121,238**

13 Other non-financial assets

In CZK thousand

	31 Dec 2020	31 Dec 2019
Total other non-financial assets	**31,361**	**32,213**
Prepaid expenses	15,864	9,960
Tax assets	15,490	22,246
Other assets	7	7

14 Share capital

Share capital and share premium

As at 31 December 2020 and 31 December 2019, the approved, issued and fully paid share capital comprised 10 ordinary registered shares in book-entry form at a nominal value of CZK 100,000,000.

The shareholders are entitled to receive dividends and to ten votes per one share at a nominal value of CZK 10,000,000 at the general meeting of the Company.

As at 31 December 2020 and 31 December 2019, the sole shareholder is EP Power Europe, a.s.

AS OF 31 DECEMBER 2020

	Shares held	Ownership interest %	Voting rights %
EP Power Europe, a. s.	10	100	100
Total	**10**	**100**	**100**

15 Trade payables and other financial liabilities

In CZK thousand

	31 Dec 2020	31 Dec 2019
Trade payables	7,381,311	7,013,735
Estimated payables	1,369,125	1,660,700
Accrued expenses	291,525	729,385
Lease liabilities (IFRS16)	22,503	27,533
Other liabilities	1,168,431	15,037
Total	**10,232,895**	**9,446,390**

Of which the long-term portion of trade payables and other financial liabilities comprises:

In CZK thousand

	31 Dec 2020	31 Dec 2019
Estimated payables	623,783	627,420
Lease liabilities – non-current	15,953	20,927
Total	**639,736**	**648,347**

Estimated payables principally represent a non-current estimated payable relating to the inverse gas storage facility totalling CZK 623,783 thousand, under which the Company will be obligated to return the purchased capacity at a certain point in time (during 2022), and unbilled supplies by SNAM RETE GAS, totalling CZK 545,904 thousand (as at 31 December 2019: CZK 263,629 thousand).

Accrued expenses principally comprise accrued gas supplies from ČEZ, a.s. totalling CZK 292,249 thousand (as at 31 December 2019: CZK 223,035 thousand). Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

As at 31 December 2020 and 31 December 2019, trade payables and other liabilities were not secured.

The Company reports trade payables past their due dates by fewer than 30 days of CZK 35 thousand (2019: CZK 340 thousand).

As at 31 December 2020 and 31 December 2019, no liabilities to tax authorities were overdue.

16 Loans and borrowings

Loans and borrowings

In CZK thousand

	31 Dec 2020	31 Dec 2019
Loans and borrowings – credit institutions		
short-term	572,884	410,281
long-term	-	-
Total	**572,884**	**410,281**

Bank loan at amortised cost

The Company has three overdraft loans, and as it is at the Company's discretion to repay the loans, the loans are reported as short-term, as repayment is expected shortly. The following table shows details of the overdrafts as at 31 December 2020:

In CZK thousand

	Principal	Accrued interest	Maturity	Interest rate (%) drawn portion of the loan[1]	Interest rate (%) undrawn portion of the loan	Effective interest rate (%), drawn portion	EfeEffective interest rate (%), undrawn portion
Commerzbank – overdraft	209,948	-	18 Jun 2021	1.35% p.a. + 1m Euribor	0.45%	1.35%	0.51%
UniCredit – overdraft	322,936	-	16 Jun 2021	0.6% p.a. + 1m Euribor	0.30%	0.60%	0.30%
ING Bank N.V.	-	-	23 Jun 2021	1.35% p.a. + 1m Euribor	0.41%	1.35%	0.56%
EP Power Europe, a.s.	40,000	-	9 Apr 2021	0%	0%	0%	0%
Total	**572,884**						

(1) The Euribor rate was negative throughout the year and in line with the loan agreements, if lower than 0, it is not included in the interest rate.

Credit facility agreement

During June 2020, the Company extended and increased the credit facility under the agreement with Commerzbank Aktiengesellschaft, Prague branch, and concluded a new agreement with ING BANK. These are committed revolving credit lines repayable at any time, which means the net book value is equal to the credit fair value. The committed credit facilities total EUR 200 million.

Reconciliation of changes in short-term received bank loans

RECEIVED LOANS

In CZK thousand

Balance at 1 Jan 2020	**410,281**
Received loans	7,629,058
Repayment of loans	(7,464,290)
Interest expense	26,932
Interest paid	(26,932)
Foreign exchange gains/losses	(42,165)
Balance at 31 Dec 2020	**572 884**
Changes in credit throughout the year	**204 768**

Loans received from non-financial institutions at amortised cost

On 9 April 2020, the Company received an uncommitted non-interest bearing loan of CZK 40 million for the purpose of a gift to the Ministry of the Interior in the form of facemasks. The loan was repayable anytime, but no later than on the first anniversary of its provision, i.e. 9 April 2021. After the loan is repaid, it cannot be used again.

In CZK thousand

	Principal	Accrued intere	Maturity	Interest rate (%) drawn portion of the loan[1]	Interest rate (%) undrawn portion of the loan	Effective interest rate (%) drawn portion	Effective interest rate (%) undrawn portion
EP Power Europe, a.s.	40,000	-	9 Apr 2021	0%	0%	0%	0%
Total	**40,000**						

17 Received deposits and margin deposits

In CZK thousand

	31 Dec 2020	31 Dec 2019
Total received deposits and margin deposits	**1,320,143**	**1,466,613**

Received deposits comprise received short-term security deposits from business partners (namely related parties) relating to commodity stock exchange trading.

18 Other non-financial assets

Other non-financial liabilities

In CZK thousand

	31 Dec 2020	31 Dec 2019
Total	**75,865**	**40,878**
Payables to employees relating to payroll	5,614	4,401
Payables to health insurance and social security institutions	2,658	2,042
Payables to employees relating to unused vacation days and bonuses	67,593	34,435

19 Sales

The Company sales comprise sales of energy commodities and related services.

Sales analysis by product type:

Sales

In CZK thousand

	2020	2019
Sale of electricity	31,540,647	29,828,680
Sale of gas	27,243,072	35,341,863
Sale of CO_2	50,204,068	15,059,998
Sale of services	841,363	738,209
Total sales	**109,829,150**	**80,968,750**

Sale of services relates to securing the sale of energy commodities to business partners and comprises principally revenues from SLAs concluded, transfer, service, variable and other fees.

Customers representing over 10% of sales:

In 2020, revenues from EP Produzione S.p.A., European Commodity Clearing and Gazel Energie Solutions S.A.S. represented over 10% of total sales. In 2019, revenues from EP Produzione S.p.A. and European Commodity Clearing represented over 10% of total sales.

Sales analysis by registered office of the counterparty:

SALES BY COUNTERPARTY REGISTERED OFFICE IN 2020

In CZK thousand

	Total	DE	IT	CZ	FR	GB	LU	IE	Other
Sale of electricity	31,540,647	9,018,590	467,487	1,273,362	10,216,264	3,191,784	6,493,122	-	880,038
Sale of gas	27,243,072	1,856,226	10,669,038	2,600,823	1,211,674	5,905,670	949,174	214,065	3,836,402
Sale of CO_2	50,204,069	4,418,920	7,555,935	1,710,435	1,459,141	852,266	-	34,207,372	-
Sale of services	841,362	346,188	47,596	24,523	110,129	72,457	-	-	240,469
Total sales	**109,829,150**	**15,639,924**	**18,740,056**	**5,609,143**	**12,997,208**	**10,022,177**	**7,442,296**	**34,421,437**	**4,956,909**

SALES BY COUNTERPARTY REGISTERED OFFICE IN 2019

In CZK thousand

	Total	DE	IT	CZ	FR	GB	LU	IE	Other
Sale of electricity	29,828,680	5,466,870	761,488	1,584,281	8,314,754	5,611,838	7,488,666	-	600,783
Sale of gas	35,341,863	2,433,859	9,022,461	4,159,196	1,338,182	7,276,183	1,582,617	-	9,529,365
Sale of CO_2	15,059,998	6,032,579	7,179,731	471,093	383,717	730,880	-	-	261,998
Sale of services	738,209	265,102	47,931	19,263	48,177	6,564	-	-	351,172
Total sales	**80,968,750**	**14,198,410**	**17,011,611**	**6,233,833**	**10,084,830**	**13,625,465**	**9,071,283**	**-**	**10,743,318**

Remaining performance obligations

The Company used practical expedients in line with IFRS 15 and does not report revenues relating to performance obligations that are unsatisfied or partially unsatisfied as at the balance sheet day, whose original term was one year or less, and revenues from contracts where the Company reports revenues in the amount of the performance provided.

With regard to concluded energy commodities transactions, open contracts represent derivatives and are remeasured in line with IFRS 9 (in line with IFRS 15 only at the moment of delivery). Summary of nominal values relating to open derivative contracts is described in Note 11.

The Company has entered into long-term contracts with Lausitz Energie Kraftwerke AG, Lausitz Energie Bergbau AG, Gazel Energie Generation SAS and Gazel Energie Solutions SAS. Based on these contracts, the Company bills incurred costs with an agreed margin. As the rebilled costs represent future actually incurred costs which cannot be reliably estimated and as realised revenues correspond to ongoing invoicing, the Company does not report contracted revenues.

Due to the above, the Company does not report performance obligations that are unsatisfied or partially unsatisfied as at the balance sheet day.

Further information on revenues from contracts with customers

Revenues from contracts with customers in line with IFRS 15 are reported under Sales. In 2020 and 2019, no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous reporting periods. The Company does not record contract assets and liabilities or the cost of acquiring or performing a contract.

20 Cost of sales

In CZK thousand

	2020	2019
Cost of electricity sold	31,446,009	29,762,245
Cost of gas sold	27,363,511	35,471,447
Cost of CO_2 sold	49,900,850	15,064,733
Materials and energy used	2,650	1,897
Services*	749,820	243,285
Total costs	**109,462,840**	**80,543,607**

* Cost of services principally represent fees relating to the Company's access to the commodity market, monitoring, broker services, gas transportation, gas storage, tax, legal and other advisory fees and fees for other outsourced services.

21 Gain/(loss) from commodity derivatives for trading

Net gain (loss) from commodity derivatives for trading

In CZK thousand

	2020	2019
Gain (loss) from commodity derivatives for trading	**885,563**	**262,568**
Gain (loss) from commodity derivatives for trading Gas	995,403	(136,600)
Gain (loss) from commodity derivatives for trading Electricity	87,773	480,233
Gain (loss) from commodity derivatives for trading CO_2	(224,599)	44,494
Gain (loss) from commodity derivatives for trading Other	26,986	(125,559)

In 2020, the gain/(loss) from commodity derivatives for trading in relation to companies controlled by the ultimate owner totalled CZK 229,933 thousand (2019: CZK 2,179,417 thousand), and in relation to associates of the ultimate owner CZK 160,491 thousand (2019: CZK (1,140,917) thousand).

22 Personnel expenses

In CZK thousand

	2020	2019
Total	**163,538**	**112,670**
Wages and salaries	99,732	88,986
Compulsory social security contributions	29,303	24,353
Other social expenses	1,346	754
Unused vacation days and employee bonuses*	33,157	(1,423)

* This comprises the release of the estimate for employee bonuses and unused vacation days from the previous period, and creation of an estimate for the same for the current reporting period.

The average number of employees, members of the Board of Directors and Supervisory Board in 2020 was 76 (2019: 70). Members of the Board of Directors and Supervisory Board are not compensated for the performance of their offices.

As at 31 December 2020, the Company had no pension liabilities towards former members of management, supervisory and administrative bodies.

23 Other operating income and expenses

In CZK thousand

	2020	2019
Capacity certificates	2,125,567	-
Other	2,706	12
Other operating income	**2,128,273**	**12**
Capacity certificates	(2,092,980)	-
Donations	(46,544)	(12,500)
Other	(3,177)	(1,229)
Other operating income	**(2,142,701)**	**(13,729)**

24 Financial revenues and expenses

In CZK thousand

	2020	2019
Interest income	67,775	39,881
Finance income	**67,775**	**39,881**
Interest expense (by effective interest rate)	(42,022)	(8,770)
Cost of commission and banking fees	(103,138)	(68,415)
Net foreign exchange loss	(100,041)	(7,573)
Finance expense	**(245,201)**	**(84,758)**
Net finance income (loss) reported in the statement of comprehensive income	**(177,426)**	**(44,877)**

25 Income tax expenses

Income tax

In CZK thousand

	2020	2019
Current tax – current year	48,759	96,493
Changes in tax estimate for the previous period	(1,390)	(817)
Deferred tax	117,746	190
Total income tax	**165,115**	**95,866**

The current income tax is calculated as 19% of the estimated taxable profit. Deferred tax is calculated using the income tax rate anticipated in future periods, i.e., 19%.

In CZK thousand

	2020		2019	
Profit before tax	**869,919**		**492 312**	
Income tax using the effective income tax rate	165,285	19.00%	93,539	19.00 %
Impact of items that are never tax-deductible	(169)	(0.02)%	2,327	0.47 %
Total income tax/effective tax rate	**165,115**	**18.98%**	**95,866**	**19.47 %**

The estimated current income tax for 2020 of CZK 48,759 thousand was reduced by income tax prepayments of CZK 87,697 thousand, and the resulting receivable was reported in Tax receivables (CZK 38,938 thousand). In 2019, the estimated income tax of CZK 96,493 thousand was reduced by income tax prepayments of CZK 70,355 and the resulting payable was reported in Tax payables (CZK 26,138 thousand).

26 Financial guarantees

As at 31 December 2020 and 2019, the Company had concluded the following guarantees in favour of its suppliers and business partners:

In CZK thousand

Guarantor	31 Dec 2020	31 Dec 2019
Energetický a průmyslový holding a.s.	22,121,318	13,126,402
Sumitomo Mitsui Banking Corporation	771,078	746,546
HSBC Bank plc	564,651	7,264
EP Power Europe, a.s.	39,368	38,115
Privredna bank Zagreb d.d.	69	-
Total	**23,496,483**	**13,918,327**

27 Risk management and disclosure principles

This section describes in detail the financial and operational risks the Company is exposed to and its risk management methods. Principal types of financial risks to which the Company is exposed comprise commodity risk, credit risk, liquidity risk, interest rate risk, and foreign exchange risk.

As part of its operations, the Company is exposed to different market risks, notably the risk of changes in commodity prices, and to some extent also interest rates and exchange rate risks. To minimise this exposure, the Company enters into derivatives contracts to mitigate or manage the risks associated with individual transactions and overall exposures, using instruments available on the market.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk from trade receivables and payables with wholesale partners on the OTC market, and on the other hand from derivative contracts on commodity stock exchanges and from financial instruments applied to margin requirements.

Credit risk is managed on the level of risk owners, on the level of individual sections. As part of the credit risk management process, the Company primarily strives to prevent the risk from occurring, performs regular or one-off scoring of wholesale partners, monitors external rating of cooperating banks, determines and monitors the compliance with binding exposure limits for individual partners, etc. The Company monitors the development of receivables, customers' payment behaviour, performs analysis of the ageing structure of receivables.

The Company establishes an allowance for impairment that represents its estimate of possible losses in respect of trade and other receivables.

DETERMINING THE PROBABILITY OF DEFAULT

Probability of default –estimate of the probability that the debtor will fail to meet its obligations.

Offsetting receivables and debts – the option to offset receivables and debts from transactions carried out under standard framework agreements (EFET, ISDA) is based on the legal opinions of renowned solicitors for individual jurisdictions. Under the Czech legal regulations, this option is reflected in the provisions on "close-out netting arrangement" of Section 193 et seq., of Act No. 256/2004 Coll., on Capital Market Undertakings.

EPC analyses debtors by the following categories:

1. Rated companies

The Company's risk section monitors the ratings of individual companies by rating agencies (S&P, Moody's, Fitch). The Company applies the default rate analysis on individual ratings by S&P.

2. Non-rated companies

For non-rated companies, the Company uses publicly accessible information on 12-month PD for the non-financial sector, such as information published by the Czech National Bank (1.2% for 2018, which is the latest available information). For other debtors with their registered office outside the Czech Republic, the Company uses available data usually issued by the local national bank.

3. Companies in the Energetický a průmyslový holding, a.s. ("EPH") Group

For companies within the EPH Group, the Company uses derived rating for EPH by S&P.

4. Regulated companies

For regulated companies, such as stock exchanges, banks, and market operators for individual commodities, the Company considers the PD to be minimal and does not recognise an allowance due to its immateriality.

The following tables show the maximum exposure to credit risk by the type of counterparty and by geographic region as at the balance sheet date:

Credit risk by type of counterparty

AS AT 31 DEC 2020

In CZK thousand

	Corporates (non-financial institutions)	Banks	Total
Financial assets	**20,713,923**	**2,654,300**	**23,368,223**
Receivables from revaluation of derivatives	7,952,900	149,755	8,102,655
Deposits and margin deposits	386,959	2,424,623	2,811,582
Cash and cash equivalents	13	79,922	79,935
Trade receivables	8,568,370	-	8,568,370
Loans granted	3,805,681	-	3,805,681

AS AT 31 DEC 2019

In CZK thousand

	Corporates (non-financial institutions)	Banks	Total
Financial assets	**20,650,860**	**436,479**	**21,087,339**
Receivables from revaluation of derivatives	8,667,526	2,095	8,669,621
Deposits and margin deposits	1,255,531	313,149	1,568,680
Cash and cash equivalents	3	121,235	121,238
Trade receivables	8,058,135	-	8,058,135
Loans granted	2,669,665	-	2,669,665

Risk by location of debtor

AS AT 31 DEC 2020

In CZK thousand

	EU	Europe excl. the EU	Czech Republic	Total
Financial assets	**16,935,102**	**1,197,058**	**5,236,063**	**23,368,223**
Receivables from revaluation of derivatives	6,401,038	863,972	837,645	8,102,655
Deposits and margin deposits	2,810,659	-	923	2,811,582
Cash and cash equivalents	32,990	-	46,945	79,935
Trade receivables	7,690,415	333,086	544,869	8,568,370
Loans granted	-	-	3,805,681	3,805,681

AS AT 31 DEC 2019

In CZK thousand

	EU	Evropa mimo EU	ČR	Celkem
Financial assets	**16,545,474**	**317,440**	**4,224,425**	**21,087,339**
Receivables from revaluation of derivatives	7,705,709	88,686	875,226	8,669,621
Deposits and margin deposits	1,521,158	-	47,522	1,568,680
Cash and cash equivalents	43,596	-	77,642	121,238
Trade receivables	7,275,011	228,754	554,370	8,058,135
Loans granted	-	-	2,669,665	2,669,665

Offsetting of financial assets and financial liabilities

The following table summarises financial assets and liabilities which can be offset under a legally enforceable master agreement on mutual offsetting, or a similar agreement. However, as at 31 December 2020 and 31 December 2019, there was no offsetting in the accounts.

ASSETS AND LIABILITIES OFFSETTING

In CZK thousand

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Assets / Liabilities from revaluation of derivatives	8,102,655	11,914,657	8,669,621	8,562,119
Deposits and margin deposits / Received deposits and margin deposits	2,811,582	1,320,143	1,568,680	1,466,613
Trade receivables / payables and other financial liabilities	8,568,370	10,232,896	8,058,135	9,446,390
Effect of master agreements on offsetting	(4,814,851)	(4,814,851)	(9,817,653)	(9,817,653)
Net value after offsetting under master agreements	**14,667,756**	**18,652,845**	**8,478,783**	**9,657,469**

The Company trades under EFET and ISDA master agreements. These agreements allow mutual offsetting of assets and liabilities in case of early termination of concluded contracts when the reason for early termination is the insolvency of a counterparty or the failure to meet contractual terms and conditions. In case of early termination, all concluded contracts are settled. Their mutual offsetting is directly included in the master agreement provisions or ensues from the provided guarantee.

IMPAIRMENT LOSSES

All financial assets are included in Level I.

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The Company creates loss allowances for trade receivables and other assets. The following loss allowances were created for the unpaid portion of receivables, based on the above methodology:

In CZK thousand

Loss allowances in line with IFRS 9 as at 1 January 2019, relating to trade receivables and other assets	**224**
Additions and utilisation in 2019	298
Loss allowances balance at 31 December 2019	**522**
Additions and utilisation in 2020	1,649
Balance of loss allowances as at 31 December 2020	**2,171**

AGEING STRUCTURE OF TRADE AND OTHER RECEIVABLES
AS AT THE REPORTING DATE:

In CZK thousand

Gross trade receivables	31 Dec 2020	31 Dec 2019
Receivables within due date	8,570,541	8,055,930
Receivables up to 1 month past due	-	2,727
Receivables between 1 to 3 months past due	-	-
Receivables between 4 to 12 months past due	-	-
Receivables over 12 months past due	-	-
Total trade receivables	**8,570,541**	**8,058,657**

Impairment losses on financial assets at amortised cost as at 31 December 2020 are calculated based on a new 3-stage model. Impairment losses from credit impaired financial assets relate either to trade receivables due from several customers which were already impaired at the date of the application of the new 3-stage model or to receivables where events that have a detrimental impact on the estimated future cash flows of the asset have occurred. The remaining amount of impairment losses represents loss allowances at an amount equal to expected credit losses.

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

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

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

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

The table below provides an analysis of financial liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest required repayment date is shown. Those liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

The Company is not exposed to any significant liquidity risk and does not suffer from any solvency issues. There is no concentration of liquidity risk. To ensure further reduction of liquidity risk, the Company has other credit lines at its disposal. For more information see Note 11.

Maturities of financial liabilities

In the tables below, the net book value is identical to contractual cash flows (non-discounted). The amount of interest related to received bank loans is immaterial as it will be settled within 3 months. Contractual cash flows relating to liabilities from revaluation of derivatives represent their de facto nominal value which is described in detail in Note 11.

In CZK thousand

	Net book value	Total contractual cash flows	Under 3 months	3 months to 1 year	1–5 years	Undefined maturity
Liabilities at 31 Dec 2020						
Loans and borrowings – drawn portion	**572,884**	572,884	572,884	-	-	-
Trade payables and other financial liabilities	**10,232,895**	10,232,895	7,372,512	2,844,432	15,952	-
Received deposits and margin deposits	**1,320,143**	1,320,143	-	-	-	1,320,143
Liabilities from revaluation of derivatives	**11,914,657**	11,914,657	4,565,992	6,068,150	1,280,515	-
Total	**24,040,579**	**24,040,579**	**12,511,386**	**8,912,582**	**1,296,468**	**1,320,143**

In CZK thousand

	Net book value	Total contractual cash flows	Under 3 months	3 months to 1 year	1–5 years	Undefined maturity
Liabilities at 31 Dec 2019						
Loans and borrowings – drawn portion	**410,281**	410,281	410,281	-	-	-
Trade payables and other financial liabilities	**9,446,390**	9,447,301	8,075,562	722,854	648,885	-
Received deposits and margin deposits	**1,466,613**	1,466,613	-	-	-	1,466,613
Liabilities from revaluation of derivatives	**8,562,119**	8,562,119	2,149,406	5,701,775	710,938	-
Total	**19,885,403**	**19,886,314**	**10,635,249**	**6,424,629**	**1,359,823**	**1,466,613**

c) Interest Rate Risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are re-measured at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Company's interest rate exposure based on the contractual maturity date of its financial instruments. Assets and liabilities that are not subject to interest or are subject to fixed interest rate are not included in the following table.

The Company provided two loans to the EPH Group, and as stated above entered into two credit lines with banking institutions. The receivable relating to the loan provided to Energetický a průmyslový holding, a.s., has both a fixed portion and a variable portion of the interest and is due within one year (the variable portion is linked to 3-month EURIBOR), and the receivable relating to the loan provided to EP Power Europe, a.s., was already repaid during 2020. Loan liabilities include both the fixed and variable interest portions. The variable portion is linked to 1-month EURIBOR. The maturity of all external loans is one year. The carrying amount of assets and liabilities which is dependent on the variable interest rate:

In CZK thousand

	Assets		Liabilities	
	2020	2019	2020	2019
Loans and borrowings	3,805,681	1,905,750	572,884	410,281
Total	**3,805,681**	**1,905,750**	**572,884**	**410,281**

Sensitivity analysis

The Company performs stress testing using a standardised interest rate shock, i.e., an immediate decrease/increase in interest rates of 1% along the whole yield curve is applied to the variable interest rate positions of the portfolio.

As at the reporting date, a change of 1% in market interest rates would have reduced profit by the amounts shown in the table below provided the drawn overdraft principal was drawn throughout a period of one year. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In CZK thousand

	31 Dec 2020	31 Dec 2019
	Profit/(loss)	Profit/(loss)
Average drawn overdraft principal per day	1,354,152	264,549
Increase in interest rates of 1%	13,542	2,646

A decrease in the interest rate of 1% as at the date of the financial statements would have had the equal but opposite effect provided all other variables remain constant.

d) Currency risk

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

The Company is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other that the functional currency of the Company. This means principally the EUR.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts between USD and EUR, most with a maturity of less than one year.

These contracts are also usually agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currency against the foreign currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances on the level of individual companies.

Overview of financial assets and liabilities by currency is presented in the table below:

AS AT 31 DEC 2020

In CZK thousand

	EUR	Other
Assets		
Trade receivables	8,061,290	507,080
Receivables from revaluation of derivatives	7,412,070	690,585
Deposits and margin deposits	2,811,582	-
Cash and cash equivalents	71,286	8,649
Loans granted	3,805,681	-
	22,161,909	**1,206,314**
Payables		
Loans and borrowings	532,884	40,000
Trade payables and other financial liabilities	9,087,507	1,145,389
Received deposits and margin deposits	1,320,143	-
Liabilities from revaluation of derivatives	10,711,452	1,203,205
	21,651,986	**2,388,594**

AS AT 31 DEC 2019

In CZK thousand

	EUR	Other
Assets		
Trade receivables	7,607,427	442,206
Receivables from revaluation of derivatives	8,173,114	496,507
Deposits and margin deposits	1,503,510	17,682
Cash and cash equivalents	36,763	80,842
Loans granted	2,669,665	-
	19,990,479	**1,037,237**
Payables		
Loans and borrowings	410,281	-
Trade payables and other financial liabilities	8,994,260	442,074
Received deposits and margin deposits	1,466,613	-
Liabilities from revaluation of derivatives	8,061,481	500,638
	18,932,634	**942,712**

CZK amounts are not included in this table and therefore the sums do not correspond to the values in the statement of financial position.

The following significant exchange rates applied during the period:

CZK

	2020		2019	
	Average rate	Exchange rate at the reporting date	Average rate	Exchange rate at the reporting date
EUR	26.444	26.245	25.67	25.41

Sensitivity analysis

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

Effect (in CZK thousand)

	31 Dec 2020	31 Dec 2019
	Profit / (loss)	Profit / (loss)
EUR (5% strengthening)	18,301	52,892

e) Risk of changing prices of commodities

The Company is exposed to the risk related to changes in prices of electricity, gas, emission rights, and other commodities, which can have an impact on the expected profit margin. The Company aims to minimise negative impact of price changes on the profit margin and cash flows.

Commodity risk management strategies primarily depend on the Company's strategic needs arising from the Group's strategy, and from cash flow and liquidity options of the Company. In implementing the required strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price.

The Company's trading is divided into trading and strategic portfolios. Trading portfolios are managed by individual traders in line with trading mandates defined by the management of the Company and the Risk Management Committee. Strategic portfolios are used primarily for commodity trading for the Group's needs, focusing on purchase or selling price optimisation for the specified volume. The type of contract used for a specific commodity derives from the objective for which the commodity is traded. Futures contracts are used for financial hedging and mitigating the impact of changes in commodity prices, while forward contracts are primarily used for physical supplies of commodities. As the EPH Group operates primarily abroad, commodities are traded on foreign OTC and stock exchange markets.

Both EP Commodities portfolio types have strict risk limits defined for the maximum permitted size of an open position and VaR limits. The Company applies the following risk limits:

- daily historical VaR (99% reliability) is selected as an indicator of risk relating to financial instruments. The indicator represents the maximum potential reduction in fair value of contracts for a given reliability level
- calculation of volatility and correlations (between commodity prices) is based on historical 300-day time series
- EEX, ICIS Heren and ICE are used as sources of market prices

- the Company trades with physically settled commodities – electricity, emission rights and natural gas – and financially settled commodities – electricity, natural gas, oil and coal:
  - The Company is active on the following electricity markets: UK, DE, FR, SK, CZ, HU, IT, AT
  - The Company is active on the following gas markets: UK, DE, FR, SK, CZ, HU, IT, AT, UA, RO, CR, IE, MD, NL.
  - The Company also trades API 2 ARA coal, Brent and WTI crude oil, and European emission rights.
  - As at 31 December 2020, VaR totalled CZK (18,893) thousand, and as at 31 December 2019, CZK (7,652) thousand.
- besides VaR limits, the Company applies position limits linked to individual risk factors to manage commodity risks, and Stop loss limits restraining the maximum amount of loss in a given calendar year.

The Company does not apply hedge accounting in line with IFRS 9.

The carrying amount of assets and liabilities which is dependent on the commodity price:

In CZK thousand

Risk of changing prices of commodities	Assets		Liabilities	
	2020	2019	2020	2019
Assets and liabilities from revaluation of derivatives	8,102,655	8,669,621	11,914,657	8,562,119

Apart from the above commodity OTC derivatives, the Company faces risks relating to concluded stock exchange commodity trades. For information about these contracts, refer to note 3. The risk of each contract is included in the specified amount of VaR.

f) Operational risk

Operational risk is the risk of loss arising from fraud, error, omission, inefficiency or system failure. A risk of this type arises in all operations and affects all businesses. Operational risk includes legal risk.

The primary responsibility for the implementation of controls to address operational risk lies with the Company's management. Generally applied standards cover the following areas:

- requirements for reconciliation and monitoring of transactions;
- identification of operational risks within the control system;
- obtaining overview of operational risks, allowing the Company to set the direction of steps and processes to limit these risks, as well as to make decisions with regard to:
  - accepting individual risks that are faced;
  - initiating processes to limit possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

g) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company is not subject to externally imposed capital requirements.

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

In CZK thousand

	31 Dec 2020	31 Dec 2019
Total interest-bearing liabilities	532,884	410,281
Less: cash and cash equivalents	79,935	121,238
Net debt	**452,949**	**289,043**
Total equity attributable to the equity holders	**1,926,514**	**1,221,709**
Debt to adjusted capital	**0.24**	**0.24**

28 Related parties

Definition of related parties

Relations with related parties are divided as follows:

- Relations with the ultimate owner
- Relations with entities controlled by the ultimate owner
- Relations with joint ventures and associates of the ultimate owner.

a) The summary of outstanding balances with related parties as at 31 December 2020 and 31 December 2019 was as follows:

In CZK thousand

Receivables and payables – related parties	Receivables 2020	Payables 2020	Receivables 2019	Payables 2019
Ultimate owner	-	-	-	-
Entities controlled by the ultimate owner	10,485,292	8,908,226	6,124,397	2,910,109
Associates of the ultimate owner	1,347,751	2,175,299	668,120	1,119,572
Total	**11,833,043**	**11,083,525**	**6,792,517**	**4,029,681**

For information on receivables and payables from the revaluation of derivatives towards related parties, refer to Note 8 Derivatives.

b) Summary of transactions with related parties for 2020 and 2019

In CZK thousand

	Revenues	Expenses	Revenues	Expenses
Transactions with related parties	**2020**	**2020**	**2019**	**2019**
Ultimate owner	-	-	-	-
Entities controlled by the ultimate owner	42,957,495	(27,107,667)	22,990,660	(16,587,135)
Associates of the ultimate owner	9,583,448	(7,787,836)	5,411,195	(6,417,339)
Total	**52,540,943**	**(34,895,503)**	**28,401,855**	**(23,004,474)**

All transactions were performed under the arm's length principle.

The summary includes all expenses and revenues with related parties excepting profit/loss from commodity derivatives for trading. For information on profit/loss from commodity derivatives for trading relating to related parties, refer to Note 21.

Transactions with the key members of the management

In 2020 and 2019, members of the Board of Directors and the Supervisory Board of EP Commodities, a.s., did not receive any significant monetary or non-monetary consideration relating to their position, except for the members of the Board of Directors who are at the same time top managers and whose payroll costs are shown in the following table. Apart from members of the Board of Directors and the Supervisory Board, the employees at the "C" and "C-1" level are considered top managers.

Members of the statutory bodies and top managers	2020	2019
Number of employees	18	17
Payroll costs, including health insurance and social security in CZK thousand	41,016	49,223

29 Subsequent events

The COVID-19 pandemic has caused a serious situation across the whole society and global economy. The government has introduced several measures which are being gradually relaxed as of the date of the financial statements.

To ensure the Company's ability to continue as a going concern, relevant measures have been implemented by the management. These include primarily implementation of work from home, rotational shifts at all workplaces, training on obeying strict preventative measures including social distancing, changes in work procedures, etc.

The Company's management has assessed the potential impact of COVID-19 on the Company. The Company has concluded that the virus will not have a material effect on its financial situation and results in 2021. However, due to the development in financial markets, there has been an increase in the volatility of commodity contracts which has resulted in additional requirements of energy stock exchanges on the amount of provided margin deposits. The Company is able to fulfil these requirements without any major constraints due to the increase in its credit facilities described below.

On 26 February 2020, the Company arranged a new credit facility with Komerční banka in the amount of EUR 50 million.

Except for the matters described above, the Company's management is not aware of any other material subsequent events that could have an effect on the financial statements as of 31 December 2020.

9

Report on Related Party Relations

under Act No. 90/2012 Coll., on Business Corporations and Cooperatives for the reporting period from 1 January 2020 to 31 December 2020

The Board of Directors of EP Commodities, a.s., having its registered office at Klimentská 1216/46, Prague – Prague 1, 110 00, prepared the report on relations between the controlled entity, directly or indirectly controlling entities and other entities controlled by the same controlling entity for the reporting period from 1 January 2020 to 31 December 2020 under Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives.

The directly controlling entity in the reporting period from 1 January 2020 to 31 December 2020 was EP Power Europe, a.s., having its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1.

The directly controlling entity EP Power Europe, a.s. owned 10 shares of the controlled entity representing 100% of the share capital and held the corresponding share in the voting rights in the reporting period.

I. Controlled Entity

EP Commodities, a.s., having its registered office at Klimentská 1216/46, at Prague – Prague 1, 110 00, corporate ID 034 37 680, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 19973, on 29 September 2014.

II. Controlling Entity

Energetický a průmyslový holding, a.s., having its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, corporate ID 283 56 250, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21747, on 10 August 2009.

III. Role of the Controlled Entity

The role of the controlled entity in the group is commodity trading on wholesale market. In this role, the controlled entity makes business transactions with related parties. All contractual relationships with related parties were under standard contractual conditions, and the agreed performance were at arm's length.

IV. Method and Means of Control

The controlling entity exercises decisive influence primarily by appointing and recalling of members of statutory bodies in line with applicable legal regulations and articles of association of the controlled entity.

V. Contracts and Agreements with Related parties Effective in the Reporting Period

During the reporting period ended 31 December 2020, the following contracts and agreements were effective between the controlled entity and directly or indirectly controlling entities and between the controlled entity and entities controlled by the same controlling entity:

(1) EFET General Agreement concerning the delivery and acceptance of Natural Gas with EP ENERGY TRADING, a.s. concluded on 1 December 2014

(2) Contract for the lease of premises used for business activities and provision of services with EP ENERGY TRADING, a.s. concluded on 1 October 2014

(3) Master agreement on provision of guarantees with Energetický a průmyslový holding, a.s. concluded on 2 February 2015

(4) Agreement for the supply of natural gas concluded on 23 November 2020 with EP Produzione Centrale Livorno Ferraris S.p.A.

(5) Agreement for the supply of natural gas concluded on 23 November 2020 with Biomasse Italia Spa.

(6) Agreement for the supply of natural gas concluded on 23 November 2020 with EP Produzione S.p.A.

(7) Framework agreement on balancing platform access concluded on 23 October 2015 with eustream, a.s.

(8) Contract for the title transfer service concluded on 27 April 2016 with eustream, a.s.

(9) Framework contract on access to the transmission network and gas transmission concluded on 25 May 2016 with eustream, a.s.

(10) Agreement for the provision of data reporting under Article 9 (9) of REMIT Implementing Acts concluded on 31 March 2016 with NAFTA, a.s.

(11) General Agreement on Provision of Storage Services concluded on 23 July 2018 with NAFTA, a.s.

(12) Contract for the gas supply (supply of gas for the Gas Supply Security Standard) concluded on 13 September 2019 with SPP-distribúcia, a.s.

(13) Contract for the supply of natural gas for 2019 concluded on 21 June 2019 with SPP-distribúcia, a.s.

(14) EFET General Agreement concerning the delivery and acceptance of Natural Gas with Stredoslovenská energetika Obchod, a.s. concluded on 1 April 2015

(15) Service Level Agreement with EP UK Investments Ltd concluded on 3 May 2017

(16) Service agreement with Stredoslovenská energetika, a.s. of 22 December 2017

(17) ISDA Master agreement concluded with EP Produzione S.p.A. on 18 July 2016

(18) EFET General Agreement concerning the delivery and acceptance of Electricity concluded with EP UK Investments Ltd on 3 May 2017

(19) Agreement on assumption of payment obligation with Energetický a průmyslový holding, a.s. and EP Power Europe, a.s. concluded on 1 July 2017

(20) Agreement on set-off of the receivables with EP Power Europe, a.s. concluded on 1 July 2017

(21) Loan Agreement with EP Power Europe, a.s. concluded on 1 July 2017

(22) Loan Agreement with EP Power Europe, a.s. concluded on 9 April 2020

(23) Contract for maintaining of financial security with EP ENERGY TRADING, a.s. concluded on 1 December 2017

(24) Service agreement with EP Investment Advisors, s.r.o. concluded on 3 January 2017

(25) Contract for the provision of professional assistance with EP Investment Advisors, s.r.o. concluded on 2 January 2017

(26) ISDA Master agreement concluded with EP Mehrum GmBH on 24 July 2018

(27) EFET General Agreement concerning the delivery and acceptance of electricity with EP Krafwerke Mehrum, GmBH a.s. concluded on 29 January 2018

(28) Guarantee Issuance Agreement with EP Power Europe a.s. of 29 June 2018

(29) Loan Agreement with Energetický a průmyslový holding, a.s. concluded on 20 August 2018

(30) Lease contract for the lease of premises used for business activities with Střelničná reality s.r.o. (former PT měření a.s.) of 17 April 2018

(31) Service Level Agreement with EP Produzione S.p.A concluded on 1 January 2018

(32) Agreement on the delegation of report of EMIR relevant transactions concluded with EP Produzione S.p.A on 1 December 2018

(33) Emissions trading master agreement for the EU scheme concluded with EP Produzione S.p.A. on 1 January 2017

(34) EFET General Agreement concerning the delivery and acceptance of Electricity with EP ENERGY TRADING, a.s. concluded on 17 August 2016

(35) ISDA Master agreement concluded with EP ENERGY TRADING, a.s. on 17 August 2016

(36) Contract for joint services of electricity supply concluded with EP ENERGY TRADING, a.s. on 28 November 2017

(37) Service agreement concluded with EP ENERGY TRADING, a.s. on 2 January 2018

(38) UK Link Equipment and UK Link Software Usa Agreement concluded with EP UK Investments Ltd on 10 March 2019

(39) EFET General Agreement concerning the delivery and acceptance of Natural Gas concluded with EP UK Investments Ltd on 15 July 2019

(40) ISDA Master agreement concluded with Gazel Energie Solutions SAS on 28 June 2019

(41) EFET General Agreement concerning the delivery and acceptance of Natural Gas concluded with Gazel Energie Solutions SAS on 28 June 2019

(42) EFET General Agreement concerning the delivery and acceptance of Electricity concluded with Gazel Energie Solutions SAS on 28 June 2019

(43) ISDA Master agreement concluded with Gazel Energie Generation SAS on 28 June 2019

(44) EFET General Agreement concerning the delivery and acceptance of Natural Gas concluded with Energie Generation SAS on 28 June 2019

(45) EFET General Agreement concerning the delivery and acceptance of Electricity concluded with Gazel Energie Generation SAS on 28 June 2019

(46) Transfer and Novation Agreement concluded with Gazel Energie Generation SAS and Gazel Energie Solutions SAS on 28 September 2019

(47) Service Level Agreement – Regulatory services concluded with EP Produzione S.p.A on 18 October 2019

(48) Allowances Warehouse Agreement concluded with EP Kilroot Ltd on 31 October 2019

(49) AOT Service Level Agreement concluded with Gazel Energie Generation SAS on 9 December 2020

(50) AOT Service Level Agreement concluded with Gazel Energie Solutions SAS on 31 December 2019

(51) Service Level Agreement on Provision of Market data concluded with Gazel Energie Generation SAS on 31 December 2019

(52) Service Level Agreement on Provision of Market data concluded with Gazel Energie Solutions SAS on 31 December 2019

(53) Long Term Market Access Agreement concluded with Gazel Energie Solutions SAS on 31 December 2019

(54) Trilateral Transfer and Novation Agreement concluded with Gazel Energie Solutions SAS and Gazel Energie Generation SAS on 21 December 2020

(55) Emission Allowances Single Trade Agreement for the EU ETS concluded with NAFTA Speicher GmbH & Co. KG on 15 April 2020

(56) ISDA Master agreement concluded with EP Resources AG on 11 December 2019

(57) Service Level Agreement on Provision of Risk Management Services concluded with EP Resources AG on 1 November 2019

(58) ISDA Master agreement concluded with Humbly Grove Energy Limited on 20 December 2020

(59) ISDA Master agreement concluded with Saale Energy GmBH on 12 December 2020

(60) EFET General Agreement concerning the delivery and acceptance of Electricity concluded with Saale Energy GmBH on 7 December 2020

(61) EFET General Agreement concerning the delivery and acceptance of Electricity concluded with Mitteldeutsche Braunkohlengesellschaft mbH on 11 November 2020

(62) Gas Storage Agreement concluded with EP UK Investments Ltd. on 28 April 2020

(63) Agreement on arrangement of transportation and storage of natural gas concluded with 8 June 2020 with NAFTA, a.s.

(64) Purchase Agreement concluded on 8 June 2020 with NAFTA, a.s.

(65) Buyback Agreement concluded on 8 June 2020 with NAFTA, a.s.

(66) Agreement on arrangement of transportation and storage of natural gas concluded on 28 July 2020 with NAFTA, a.s.

(67) Purchase Agreement concluded on 28 July 2020 with NAFTA, a.s.

(68) Buyback Agreement concluded on 28 July 2020 with NAFTA, a.s.

(69) Agreement on arrangement of transportation and storage of natural gas concluded on 28 May 2020 with NAFTA, a.s.

(70) Purchase Agreement concluded on 28 May 2020 with NAFTA, a.s.

(71) Buyback Agreement concluded on 28 May 2020 with NAFTA, a.s.

(72) Agreement on arrangement of transportation and storage of natural gas concluded on 8 June 2020 with NAFTA, a.s.

(73) Purchase Agreement concluded on 8 June 2020 with NAFTA, a.s.

(74) Buyback Agreement concluded on 8 June 2020 with NAFTA, a.s.

(75) Gas Storage Agreement concluded on 30 June 2020 with NAFTA, a.s.

(76) Natural Gas Supply Agreement concluded on 23 November 2020 with NAFTA, a.s.

(77) Gas Storage Agreement concluded on 31 March 2020 with NAFTA, a.s.

VI. Other Legal Acts Made in the Interest of the Related Parties

During the reporting period, no legal acts in addition to standard legal acts made as part of the exercise of its rights as the controlled entity's shareholder were made in favour of directly or indirectly controlling entity or entities controlled by the same controlling entity.

VII. Acts Made in the Interest or at the Initiative of Related Parties

During the reporting period, no measures were taken or implemented, in addition to standard measures implemented by the controlled entity in relation to the controlling entity as the controlled entity's shareholder, between the controlled entity and the directly or indirectly controlling entity or entities controlled by the same controlling entity.

In 2020, no acts relating to assets exceeding 10% of the controlled entity's equity were made at the initiative or in the interest of the controlling entity.

VIII. Detriment Incurred by the Controlled Entity and the Manner of Compensation for such Detriment

The controlled entity incurred no detriment and recorded no property advantage from the conclusion of the above contracts, from other legal acts, other measures and provided performance and received counter-performance.

IX. Assessment of Benefits and Disadvantages arising from Related Party Relations, Relating Risks

The controlled entity records no benefits or disadvantages from relationships between related parties. Relationships are at arm's length; they present no undue advantage or disadvantage for any of the parties. In terms of advantages, the relations are neutral and no risks arise for the controlled entity from them.

X. Information Confidentiality

The group treats the information and facts that are part of business secret of the controlling entities, controlled entity and other related parties as confidential, including the information that was referred to as confidential by any related party. In addition, confidential information includes all information from business relations that could be itself or in relation to other information or facts to the detriment of any of the related parties.

XI. Conclusion

This report was prepared by EP Commodities, a.s. and presented for review to the Supervisory Board and verification by the auditor. As the controlled entity is obliged to prepare an annual report under applicable legislation, this report will be appended to it.

The annual report will be stored in collection of documents held by the Municipal Court in Prague.

In Prague, on 31 March 2021

Miroslav Haško
Chairman of the Board of Directors

Daniel Pexidr
Member of the Board of Directors

www.epcommodities.cz