Annual Report

EP Commodities

2021

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EP Commodities

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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"). EPC's performance in 2021 again set new records in terms of volumes handled and overall profitability. We made as well excellent progress over the course of the year in further strengthening our business in renewables to play a meaningful role in the ongoing energy transition, which together with our annual donations to charitable causes creates a pillar of our ESG policies.

The year 2021 was a period that saw the global economy recovering from the shock of COVID-19 revealing underlying fragilities in global supply chains and increased geopolitical tensions. This turbulent period brought new situations that called for a prompt response from us to protect our employees, maintain supplies of commodities, deal with supply-demand imbalances and provide for the continuous operation of the power generation assets of Energetický a průmyslový holding, a.s. (hereinafter "EPH").

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EPC reported sales of more than CZK 357 billion in 2021, which is a year-on-year increase of 225%.

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 2021 and maintained the growing trend of all important indicators. EPC reported sales of more than CZK 357 billion in 2021, which is a year-on-year increase of 225%. The net profit increased by 164% to more than CZK 1,8 billion. EPC's trading desks once again capably managed extreme market volatility across a broad spectrum of markets and performed exceptionally well regardless of market conditions. Fundamental to this performance were our strong risk controls, including conservative value at risk and the depth of our market knowledge and expertise, incorporating the increased use of data analytics.

This was partly reflected as well in the increased volume of business transactions. In terms of both purchases and sales, EPC traded more than 374 TWh of natural gas, which is a year-on-year increase of 41%. Traded volumes of electricity kept stable at the same level of ca 158 TWh. 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 approximately one quarter, to 188 million tonnes of emission allowances. In addition to standard products, EPC traded structured products, 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 one of the most important traders of European power and gas and at the same time being able to support all new investments and activities of the EPH group regarding market access, optimisation, and other

related functions. We are actively pursuing the expansion of our infrastructure to currently not covered European countries, such as Benelux countries for power trading and the Balkans, to join the already established and well-known Western and Central European markets. We are in the process of the setting-up a branch of EPC in London that would allow us to benefit from access to greater human resources pool for coverage of very specific roles in a trading firm.

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. We are especially proud that in 2021 power traded from renewable resources increased to more than 473 GWh, more than a six-fold increase from the previous year and that we have been marketing ancillary services for the largest battery in Germany, Big Battery Lausitz with installed capacity 53MWh. EPC has been actively investing in infrastructure allowing us to trade and optimize even greater volumes of renewable sources in the coming years.

These activities form a broad and solid platform not only for strong profitability today but also for responsible future growth aligned with the needs of a rapidly changing world. I would like to thank all our customers and suppliers for their ongoing co-operation, our financial stakeholders for enabling our continued growth and our employees for their hard work and commitment. We expect 2022 to be at least as challenging as 2021, and I believe our company is well positioned to deliver another exceptional year.

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 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, Ireland, 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 end 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 120 European energy companies proves the resilience of our business model.

Energy commodities 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)

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

2021 – Gas supply in Ireland and market access for new power plants in Germany

	2017	2018	2019	2020	2021
Revenues		CZK 56.8 bn	CZK 81.0 bn	CZK 109.8 bn	CZK 357.2 bn
EBITDA*		CZK 375 mln	CZK 485 mln	CZK 871 mln	CZK 2,327 mln
Gas	104 TWh	132 TWh	224 TWh	266 TWh	374 TWh
Power	36 TWh	67 TWh	93 TWh	159 TWh	158 TWh
EUA	49 mln t	78 mln t	94 mln t	150 mln t	188 mln t
Employees	45	56	70	80	91

* 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 end 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 electricity, gas, and emission allowances, possibly also other commodities financially 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. Electricity trading follows the activities of the Group. EPC is currently active in the United Kingdom, Czech Republic, Slovakia, Germany, Italy, Hungary, Ireland and France.

Hedging

Activities cover hedging of Italian and French power plants, the execution of transactions for LEAG, MIBRAG and Saale Energie 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 electricity and ancillary services. Currently these are provided to LEAG and Saale Energie in Germany and Gazel in France.

Dispatch

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

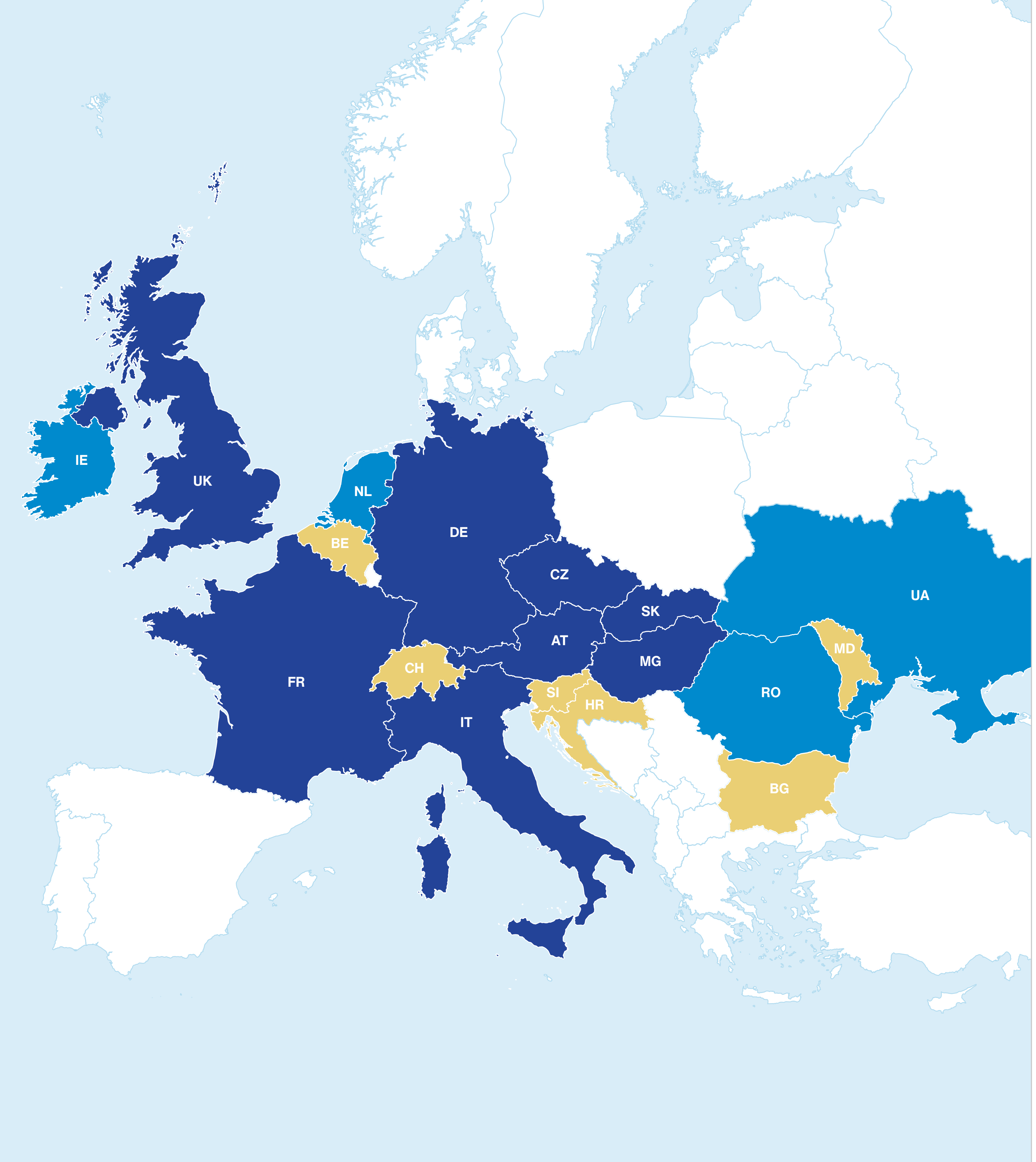
Short-term trading

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 electricity supplies, compliance with contractual and technical conditions for access by operators and transmission systems, and purchases of transmission capacities for gas and electricity. In addition, it monitors changes in market rules.

Coverage of European markets for physical trading



Electricity 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)

Slovenia (in progress)

Bulgaria (in progress)

Belgium (in progress)

- Gas and electricity
- Gas
- In progress

Company Profil Annual Report 2021

EPH

The Company is a member of Energetický a průmyslový holding, a.s.

EP Infrastructure

Gas Transmission
- SLOVAKIA
  - eustream

Gas & Power Distribution
- SLOVAKIA
  - SSE Holding
  - Stredoslovenská distribučná
  - Distribúcia SPP
- CZECH REPUBLIC
  - epet.

Heat Infra
- CZECH REPUBLIC
  - EOP Elektrárny Opatovice
  - United Energy
  - Plzeňská teplárenská
  - 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

EP Logistics International

Logistics
- LokoTrain
- EP Cargo Invest
- EP Cargo (CZ)
- EP Cargo (DE)
- EP Cargo (PL)
- EP Cargo Trucking
- Spedica
- LOCON
- EP Intermodal

EP Power Europe

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

EP Real Estate

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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 Register of Companies	Municipal Court in Prague, File 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

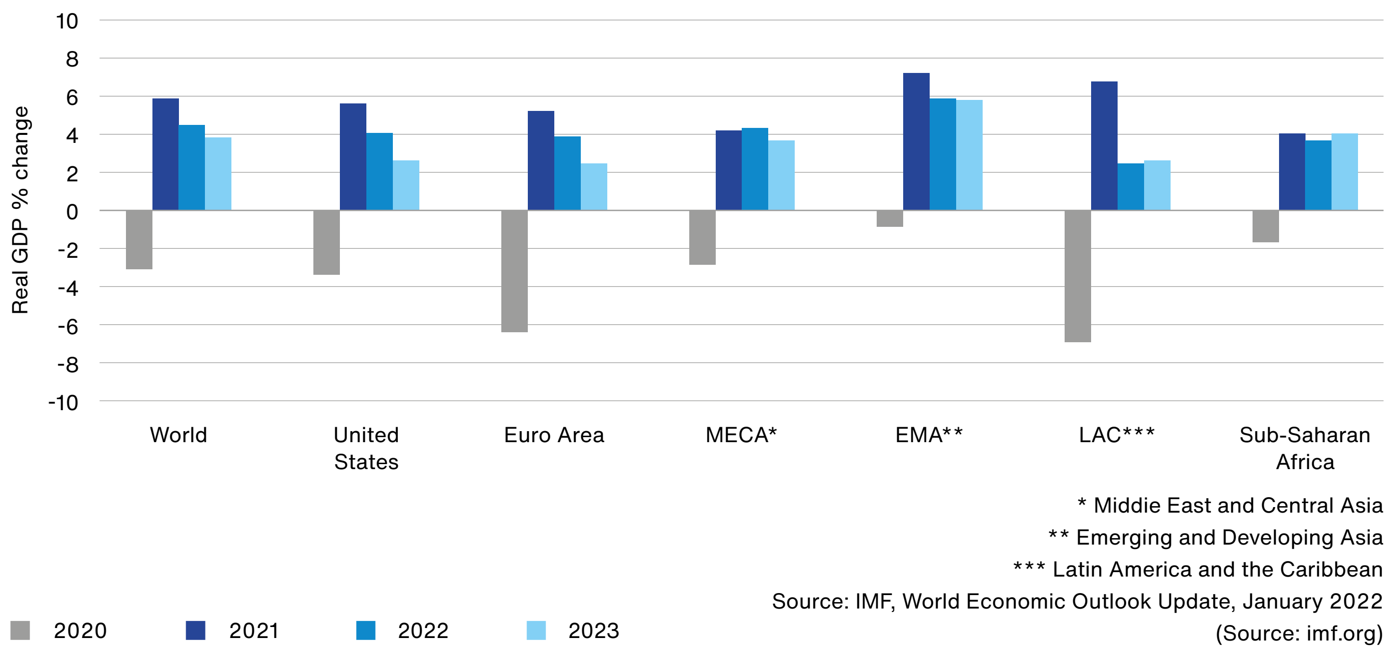
The global economy ended 2021 with arguably the highest uncertainty levels since the beginning of the pandemic. The recovery continues despite the new Covid-19 variants, however the risks associated with new measures against the virus, supply disruptions, high energy prices, inflation and interest rates pose pressing economic threats.

According to the January 2022 IMF estimates, global growth is expected to moderate from a 5.9% real GDP increase in 2021 to 4.4% in 2022, which is half a percentage point lower for 2022 than in their previous October World Economic Outlook. The 2021 growth, however, must be put in context with the profound decline of activity in 2020 and a return to a relative normality that bounces GDP at levels close to pre-pandemic times, displaying high growth values relative to 2020. Therefore, countries with a steep GDP decline in 2020 will generally show a strong recovery in 2021; this could be the case of the United Kingdom, with a sharp GDP decline of 9.4% in 2020 that rebounds to a 7.2% increase in 2021.

Supply disruptions continue to be a major concern for the global economy. Global trade was strongly agitated since the beginning of the pandemic due to the measures taken by governments to fight the virus, and the ulterior faster-than-expected activity recovery, along with the consumer shift from services to physical goods and others, created bottlenecks in several sectors (semiconductors, polyethylene, transport, warehousing) that translated into higher costs for consumers and shortages of some goods.

Simultaneously, most global commodity sectors' prices rose during 2021. According to the S&P Goldman Sachs Commodity Index (GSCI), Agriculture, livestock, industrial metals, and other sectors gained about 20–30% in that period, while energy prices increased even further, by 59%. In Europe, several factors contributed to the escalation in the energy sector, such as weather conditions, an unexpected surge in demand after the restrictions imposed to fight the pandemic along with a reduction of supply of gas in the global market.

Figure 1: Growth projections per region



* Middle East and Central Asia
** Emerging and Developing Asia
*** Latin America and the Caribbean
Source: IMF, World Economic Outlook Update, January 2022 (Source: imf.org)

Energy Market Development

The combination of supply bottlenecks, a shift on consumption patterns, an increase of commodity prices etc. led to high inflation in the advanced economies since mid-2021. Global consumer price inflation reached 5.2% year-on-year in December 2021, the highest pace since September 2008 -excluding Venezuela and Zimbabwe from all aggregates due to their distorting hyperinflation. Labour shortages seem to be also contributing to the prices increase, with labour force participation still below pre-pandemic levels in the United States, migrant labour flows disrupted in Europe, and demographic shifts restricting labour supply in mainland China.

Though headline inflation has increased in both the Euro area and the United States, the surge in core inflation, which excludes volatile products from the measurement such as energy and food, has been more pronounced in the latter. This difference, along with the mentioned consumer shift from services to physical goods, makes it harder to accurately estimate the overall price changes, increases the difficulty on foreseeing the actions that the FED and the ECB will take during 2022. On the one hand, by late 2021, the FED had already made clear they wanted to double the rate of the tapering, the reduction of US Treasury securities purchases, which would also point at a likely increase the interest rates in the US as Powell had commented on several occasions as a likely possibility. On the other hand, the ECB has shown greater resistance to increase rates by December due to the lower core inflation in the Euro area, which does not mean these actions will not be finally taken, especially considering that European countries outside of the euro area like the Czech Republic began increasing rates in late 2021.

The 2022 economic outlook seems even more uncertain after factoring the early-year geopolitical events, with the Russian invasion of Ukraine. Global supply chains will only face further challenges, with energy prices escalating to record levels, and will contribute to further escalation in prices. According to flash estimates, the Euro area begun January with a 5.1% annual inflation, while the US reached a 7.5% equivalent rate. This creates further pressure on central banks, since a rise in interest rates may act as a strong hit in financial markets and perhaps will not be enough to reduce the growing inflation rates.

Power consumption

After the global electricity demand drop in 2020 due to the halt in activity following government restrictions to fight the pandemic, global electricity demand grew by 6% in 2021 according to IEA. It was the largest ever annual increase in absolute terms (over 1 500 TWh) and the largest percentage rise since 2010 when the world was recovering from the global financial crisis. Part of the boost is a direct consequence of the recovery of the industrial sector, while a colder-than-average winter also served as a powerful demand boost. This quick increase in demand overcame the ability of electricity suppliers at times, and shortages of natural gas and coal led to volatile prices, particularly in Europe, China, and India.

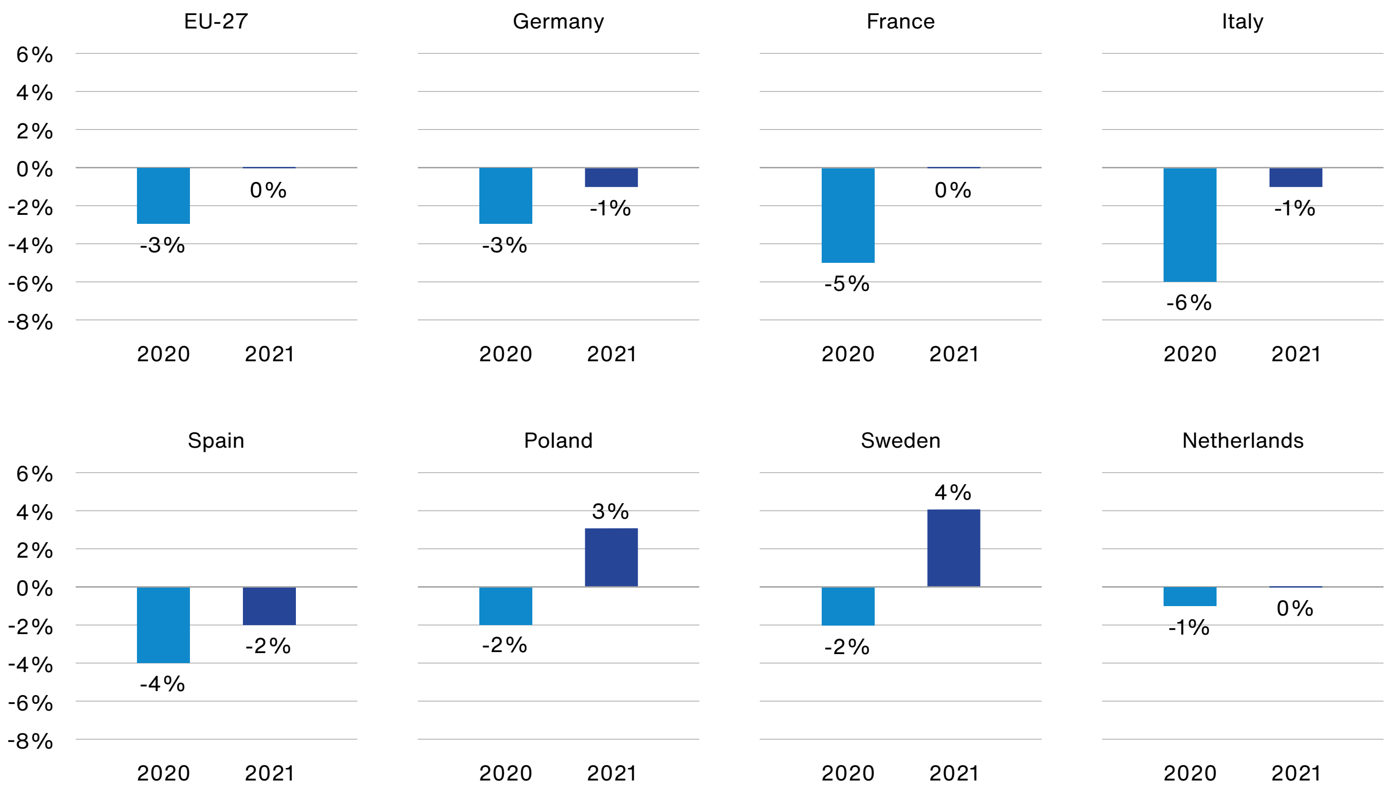
The situation in Europe reflects a full recovery of electricity demand relative to pre-pandemic levels. The EU-27 power demand fell by about 3% between 2019 and 2021, however this decrease had been fully reverted by 2021. While countries strongly hit by the virus, like Italy or Spain, were not able to recover the electricity demand (-1% and -2% fall from 2019 to 2021 respectively), others like Poland or Sweden were even able to demand more power (3% and 4% growth from 2019 to 2021) and were able to average to zero the net demand relative to pre-pandemic levels.

Power production

2021 had a 4.2% increase in fossil fuel generation due to the 3% electricity demand growth. Even after considering the general downward trend, fossil generation still accounts for about 37% of the power production in EU-27, with nearly half of it being gas, and most of the remaining generation hard coal or brown coal (lignite).

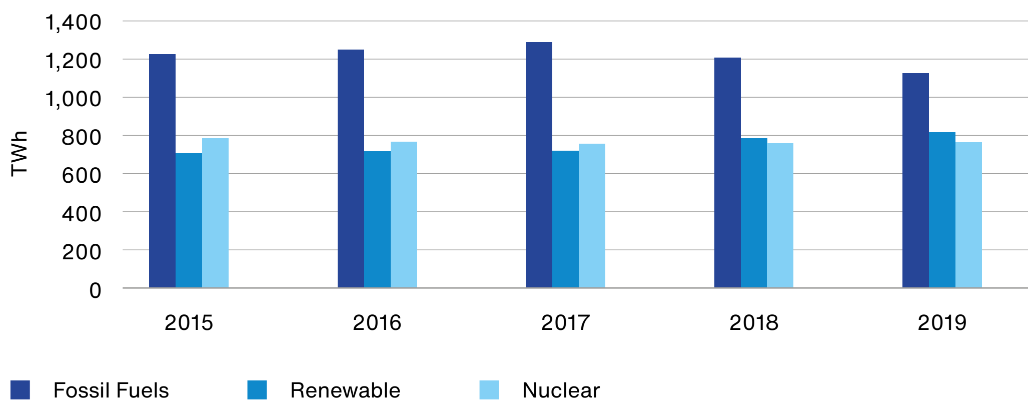
Even though 2021 began with relatively similar power production costs for each of the main fossil fuels, the rapid increase of prices since the middle of the year, particularly in gas, shifted the profitability of electricity generation in favour of coal and lignite, the most carbon dioxide emitting sources. Not even the growing carbon allowance prices, which impact coal and lignite more than gas, were able to offset this effect. This situation led to a replacement of fossil gas power production with coal-based production during the second half of 2021 in an amount equivalent to, approximately, 5% of total coal power generation in 2021.

Figure 2: Changes in power remand relative to 2019



(Source: www.ember-climate.org)

Figure 3: Power production per source type in EU-27



(Source: www.ember-climate.org)

Market Development Annual Report 2021

Renewable installed capacity continues to grow fast in the EU-27 countries, with 2021 having a combined solar and power growth of 10.8% or 34 GW. Solar capacity had one of its greatest absolute increases in its history, with an extra 19 GW – similar to the previous year – that amounts to 158 GW and account for a 13.7% year-on-year increase. Similarly, wind capacity growth set a new absolute record in 2021 in the EU-27, with 15 GW added to the installed capacity, that now represents 192 GW, and setting an also relevant increase of 8.5% year-on-year.

Renewable power production in Europe continued to grow with 1% year-on-year. Most of the increase comes from solar and wind output, which combined were able to produce more electricity in 2021 than gas-based generation, severely punished due to high prices.

Power prices

Wholesale electricity prices reached all-time highs in European markets during the second half of 2021, with the month of December averaging over 200 EUR/MWh in countries like Germany, France, Czech Republic, Slovakia, or Austria. While high gas prices are considered the main reason of this spike, other reasons supporting the increase were the rise in coal and carbon allowance prices, low nuclear output in France and renewable generation that averaged at roughly the same levels as the previous year despite the new installed capacity.

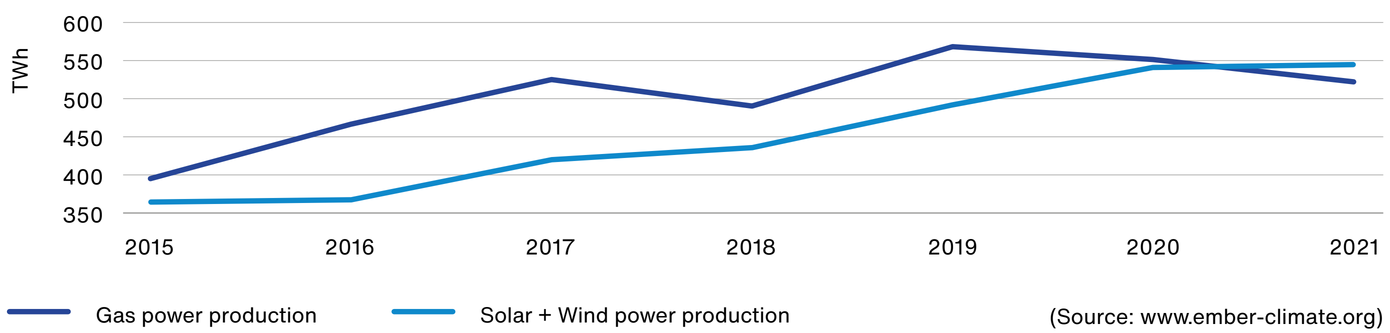
As of early 2022, the futures market indicates that the high prices would remain for at least a few years, with all 2022 and 2023 remaining well above 100 EUR/MWh in central Europe, but also in the United Kingdom.

Power prices have gained great support after the new records in gas prices following the invasion of Ukraine, with the German and French month-ahead trading well above 400 EUR/MWh as of early March 2022. The initial sanctions on the Russian economy were designed to avoid disrupting essential energy exports, however prices continue to escalate to record levels and it is nearly impossible to predict the paths energy prices will take during 2022.

Gas consumption

European natural gas demand in 2021 was almost on par with 2020, 5% down compared to pre-Covid 2019. Consumption in the first half of 2021 was significantly boosted owing to the cold weather, unlike in the year prior when the demand was destructed by the first wave of coronavirus restrictions. Temperatures stayed below normal for much of February until May, increasing especially the residential gas demand so that in some periods total consumption even breached the historical highs. On the other hand, Q3 and Q4 saw demand hovering around the 5-year minimum and below 2020. Surge in the gas spot prices during the summer reduced the gas-for-power offtake in favour of more profitable lignite and hard coal. Mild weather during much of the summer propagating to Q4 also contributed to the subdued consumption.

Figure 4: Power production per source type in EU-27



(Source: www.ember-climate.org)

Gas supply

Norwegian imports increased by 5% year-on-year in 2021. A heavy annual maintenance schedule coupled with unplanned outages restricted the deliveries until July. Flows rebounded to historical maximum afterwards and remained there ever since, supported strongly by rallying gas prices.

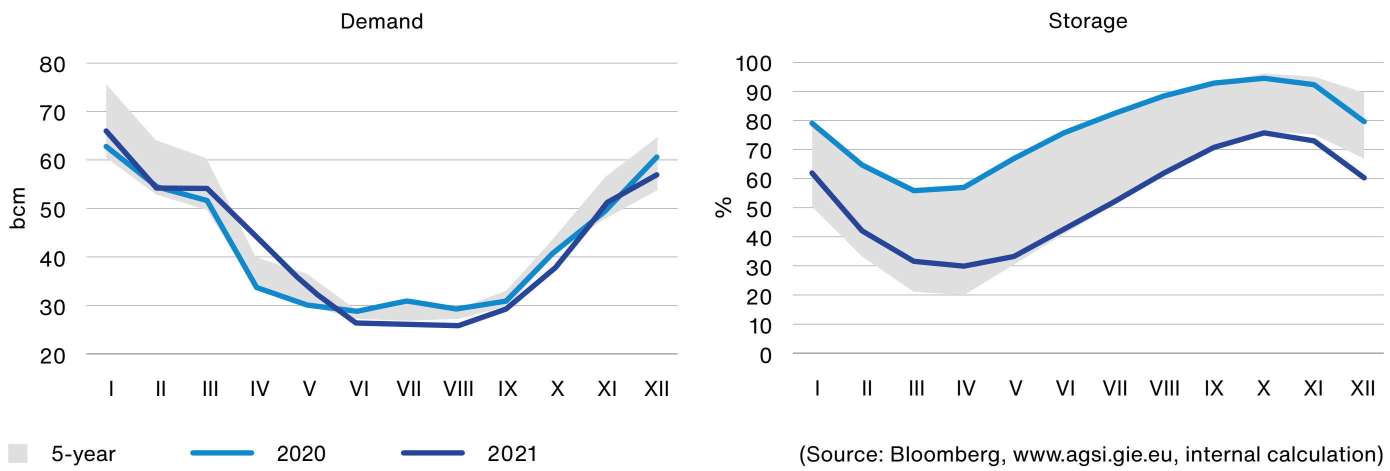
Russian pipeline deliveries to Europe were the lowest on record in 2021, dropping by 7% compared to 2020. The decrease was initially due to lower flows via the Ukraine-Slovakia border point Velke Kapusany. In August, a fire at the condensate plant at Urengoy, feeding the Yamal pipeline, also severed flows through the Mallnow point at the German-Polish border to a quarter of the normal capacity. Although slowly recovering afterwards, Yamal flows fell significantly again in October only to be completely terminated in late December, operating only in reverse flow from Germany to Poland. Nord Stream remained the only of the three main Russian pipeline routes not to be affected, with 2021 flows comparable to the previous year.

North African pipeline imports were the highest since 2018, recovering by 50% after record-low 2020.

European domestic gas production decreased by 9% year-on-year in 2021, setting a new record low. Most of the decrease was due to the lowering quota on gas production from the largest Dutch field Groningen which is planned to further decrease by more than 50% in the gas year 2021/2022 and the field will be effectively closed in mid-2022.

LNG imports into Europe were 5% lower year-on-year in 2021 and the lowest in 3 years. The number of arrived cargoes was exceptionally low in the first two months of the year when many were drawn away by soaring Asian demand amid extreme winter conditions. With easing Asian demand, LNG influx to Europe recovered and reached all-time monthly maximum of 10.6 bcm in March. However, summer imports dropped again due to the diversion of cargoes to the Pacific basin amid a combination of maintenance on Australian export terminals and above normal temperatures strongly increasing the power consumption, with e.g., Chinese LNG imports up by 28% on year in July. Rising European prices on the verge of gas winter with low storage levels translated into premium of the European LNG netback over the Asian route for winter months. This provided an incentive for the gradual increase of LNG cargoes destined for Europe, with volumes delivered in Q4 being 30% higher than in 2020.

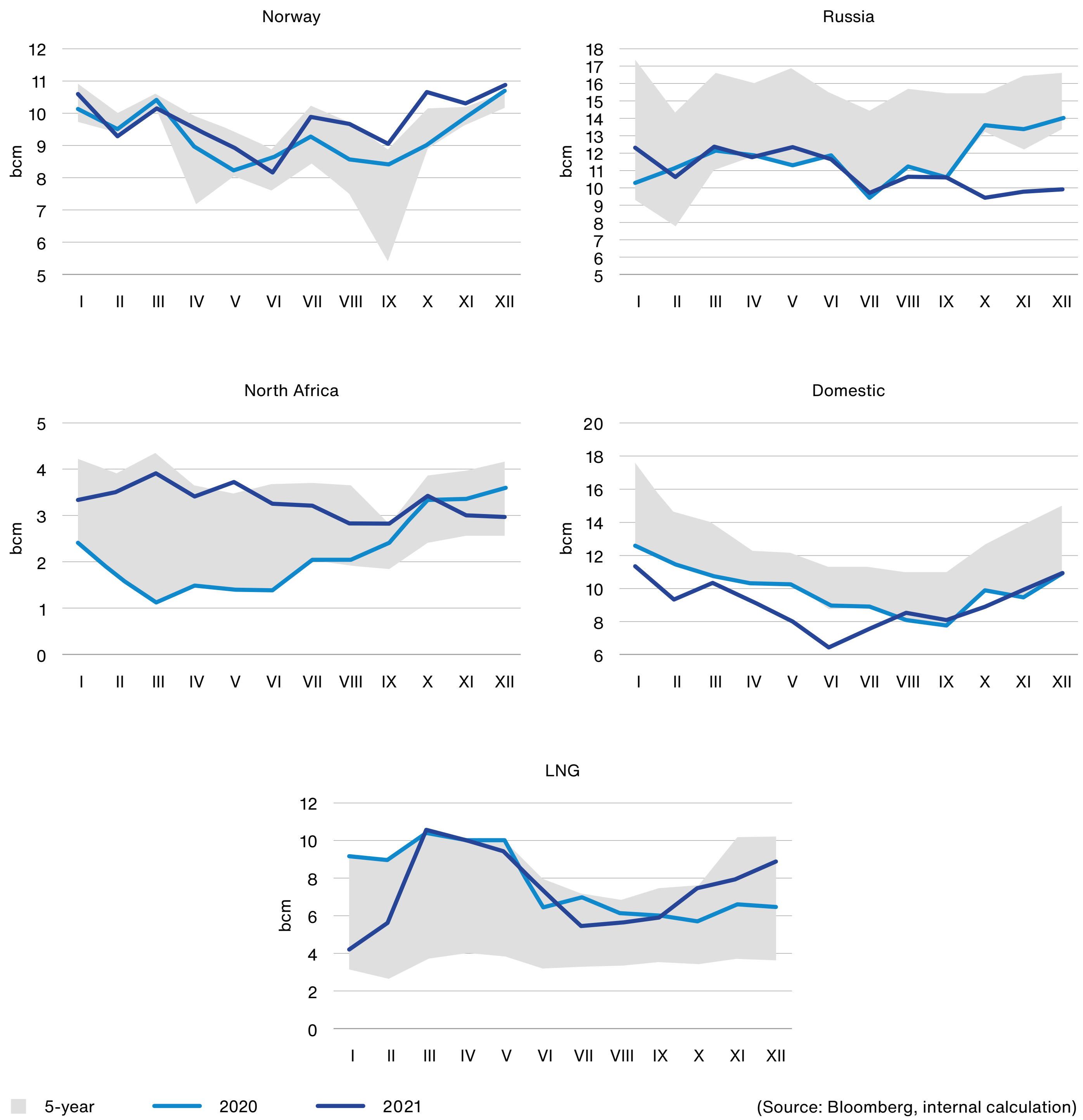
Figure 5: European gas consumption (left) and storage levels (right)



(Source: Bloomberg, www.agsi.gie.eu, internal calculation)

Market Development Annual Report 2021

Figure 6: European gas supply routes



(Source: Bloomberg, internal calculation)

Gas storage

European gas storage inventories were significantly depleted in February due to high demand during a cold snap which was not covered by underperforming pipeline deliveries and very weak LNG imports. With the end of gas winter, storages have turned to net injection mode for a short period. However, despite increasing numbers of LNG cargoes, a tight gas balance due to the return of cold weather prompted an unprecedentedly prolonged withdrawal season which lasted until mid-April, leaving the storages filled to only 29% of total capacity, the lowest since 2018. Stressed supply-demand conditions continued to hamper the refilling of storages, with the injections in May proceeding at the slowest pace in 10 years. Although improving afterwards, the balance remained tight for much of the year, illustrated, for example, by brief net withdrawals in UK during summer amid shortage of LNG driving the spot prices above winter contracts. Mild weather and favourable spreads between spot and winter months have also supported injections throughout October, helping to restock storages to 78% of their capacity before the start of the withdrawal season, the lowest level in 8 years. Inventories finished the year at only 53%, drawing a bleak picture for Q1'22 on fears of insufficient gas supply, although some relief came at the turn of the year with exceptionally warm weather supporting net injections.

LNG

Global LNG trade expanded by 6% in 2021, compared to 1% growth in 2020. The rise in imports was most significant in Asia due to cold weather and a strong economic recovery, with China leading the growth by increasing its imports by 17% on year. Chinese LNG demand surpassed Japan as the world's biggest importer as the country saw almost the same number of cargoes as in 2020. South Korea also recorded the highest imports on record, rising by 14% year-on-year. The three main exporters to Asia were Australia (34%), Qatar (16%) and the US (12%). While the first two exhibited slight yearly decreases in their shares, US surpassed Russia and Malaysia and expanded its share by 4%.

European imports decreased by 5% due to strong competition with Asian markets experiencing strong demand. US became the main exporter with 28% share, rising by 5%, while Qatar's exports to Europe decreased to 24% (down by 3%). Russia remained the third largest exporter (18%) with only a minor change year-on-year. Unlike the first three quarters, strong European inflows in Q4 accelerated the global LNG growth. On the other hand, Asian imports in Q4 were unchanged due to the surging spot price and greater than usual inventory build-up in Northeast Asia before the winter.

Central and South America also consumed more LNG with yearly imports being 69% mainly thanks to extreme drought in Brazil. North America recorded the biggest growth of total exports with a 51% increase year on year, while Australia's volumes grew slightly by 3% and Qatar and Russia maintained their previous levels.

Gas prices

A significant bullish driver of 2021 was unseasonably cold weather during first five months coupled with weak supply. LNG imports were severely constrained, especially, due to a sharp rise in Asian markets experiencing extreme cold which culminated in a price spike in mid-January. With the tension in Asian markets relieving, the abundance of LNG bound for Europe helped to pressure down the prices temporarily. However, prices rebounded strongly during late March as the Suez Canal became blocked by a container ship which ran aground and hassled LNG traffic. The return of below normal temperatures in April and a tighter pipeline supply prompted further gas withdrawals from already heavily depleted storages, resulting in the lowest inventories at the beginning of summer in years. Strong demand for re-injection to secure supply for next winter set off a price rally which, aside of occasional short-lived downturns, continued without break ever since. Spot delivery during 2021 defied the seasonality observed historically in European gas prices, with every monthly settlement since March being higher than the previous one even during summer.

Already stressed market conditions were further exacerbated by weak supply. Record low Russian imports and the behaviour of the biggest European importer were having a particular impact on gas prices during much of 2021. Since May, no additional interruptible capacity was booked through Velke Kapusany at the Ukraine-Slovakia border on any of the monthly auctions, sending a bullish signal into the market every time. Moreover, no additional annual capacity was booked via the Ukraine, Turk Stream or Yamal pipelines. The absence of any bookings via the Ukraine route was deemed as a sign of a push for rerouting transits via the prepared Nord Stream 2 (NS2) pipeline which was considered close to commencing flows. Rumors of NS2 delivering its first gas by the end of 2021 pressured Q1'22 prices which was reflected, for example, in the TTF Q1'22 vs Q4'21 spread being negative since July while also highlighting growing concerns about the extension of the storage injection season. This setting also resulted in the collapse of the spread between TTF Winter and spot, with spot trading even above winter for several weeks during summer. An unexpected technical outage of the Yamal pipeline flows in August further fuelled the price surge.

At the beginning of Q4, European gas prices hit record highs with extreme volatility. Strong price swings were driven by a combination of tight gas balance, a sharp drop in nominations through Yamal, news of Nord Stream 2 delays, low storage levels, almost absent wind generation and rising Asian gas prices. Markets surged rapidly with intraday volatility well outside traditional bounds, with the TTF front month intraday high above 162 EUR/MWh and the daily settlement at 116 EUR/MWh on October 5. Forecasts of below normal temperatures in northwest Europe and comments about strong Russian domestic demand, possibly preventing the re-filling of storages in Western Europe, further supported the upward sentiment. This led to a short squeeze that prompted margin calls which added to the momentum of the price spike. A correction came after President Putin declared a boost in Russian supplies to Europe and TTF front month stabilized in the 80–90 EUR/MWh range.

After a period of relatively sideways price development, markets spiked once again to all-time highs on December 21 with TTF front month reaching 180 EUR/MWh when Europe faced its first winter cold spell while Yamal flows via Mallnow to Germany completely halted at the same time. Another bullish factor was the fear of impeding military conflict due to mounting tensions in the Russia-Ukraine relationships, possibly affecting the security of the supply via one of the main pipeline routes. Prices moderated since then but remained highly volatile, the bearish force arising from the calmer Christmas season and significantly warmer temperatures at the end of the year.

All in all, TTF spot reached a record annual average of 45.9 EUR/MWh in 2021, almost five times more year-on-year. Prices also exhibited their all-time highest volatility, which averaged over 85% in TTF month-ahead during the whole year, more than the double the ten-year average. The volatility was exceptionally pronounced in the second half of the year, reaching almost 200% in December. Asian prices followed a similar pattern, displaying strong correlation of 0.93 with European prices for the second-month prices. Historically, TTF and JKM benchmarks followed a similar trend, but a plentiful pipeline supply and healthy storage levels prevented TTF from spiking as much as JKM. However, the reluctance of pipeline suppliers to deliver more gas in 2021 caused the European marginal gas price to be set by the global LNG arbitrage, driving the prices higher in a tight competition between Europe and Asia. In the United States, Henry Hub prices averaged over 11 EUR/MWh, the highest since 2014 and double from 2020, due to consumption and export flows growing faster than domestic production. Although increasing, US prices followed a calmer pattern than TTF and JKM thanks to a lower price environment with limited exposure to imports.

As of March 2022, European gas prices have skyrocketed again after the German halt of NS2 certification and Russian invasion of Ukraine. TTF front month contract reached new record levels with intraday trading above 210 EUR/MWh. The market turmoil has resulted in a strong backwardation, illustrated by TTF Summer'22 vs Winter'22 spread reaching above 60 EUR/MWh. The overwhelmingly bullish sentiment was fuelled by fears of security of gas supply on both the risk of transport disruptions via the war zone and the impact of Western sanctions on Russian energy exports. The price surge was not constrained even though physical deliveries actually increased both via Velke Kapusany and Nord Stream and even revived occasionally via Mallnow. The increase in imports into EU has been probably led by buyers with some flexibility under long-term contracts indexed with a time lag to lower average gas price from previous month. Support has been provided also by the diversion of Russian LNG cargoes due to a ban on Russian ships entering European ports and the Russian attack on a Ukrainian nuclear power plant which endangered the safety of the entire continent.

Nord Stream 2

The Nord Stream 2 (NS2) pipeline is intended to double Russia's direct export capacity of natural gas to Germany to 110 bcm/year. The project has been long opposed by Poland, Ukraine, and the US on grounds of it being a threat to the security and diversity of supply to the European Union (EU). Initially scheduled for completion in 2019, the pipeline was delayed by US sanctions in late 2019 forcing key pipelaying vessels to halt their operations. Delays continued beyond 2020 amid new sanctions and mounting pressure on German government to reconsider its support for the project.

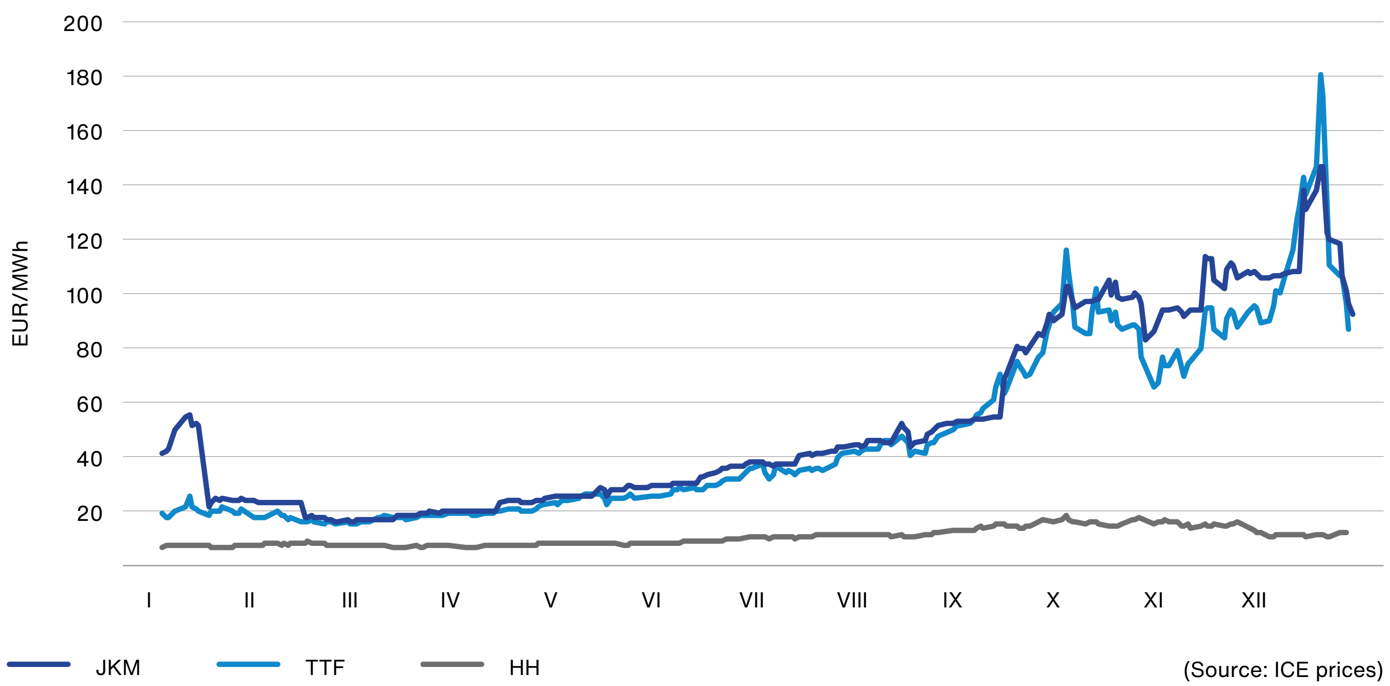
In January 2021, US president Trump's administration on its last day in office-imposed sanctions against the project's last remaining pipelaying vessel Fortuna. Sanctions around participants of NS2 were waived later by new Biden administration in an effort to rebuild ties with Germany after their previous deterioration. The US and Germany pledged in July to respond to any attempt by Russia to use NS2 and energy in general as a geopolitical weapon against Ukraine and Eastern European countries.

The Russian producer Gazprom announced in August that NS2 could deliver around 10% of its capacity in 2021.

On September 10, the second line of NS2 was completed bringing the construction to an end. However, commercial flows were further delayed due to the certification process and EU rules requiring the owners of pipelines to be different from the gas suppliers. German regulator BNetzA had up to four months to produce a draft decision on NS2 certification and submit it to the European Commission. The pipeline was said to be filled with technical gas on October 18, commencing preliminary gas flows to prepare for full-scale operation.

BnetzA suspended the certification process on November 16 due to the change in legal form of Nord Stream 2 AG, having decided to set up a subsidiary that will own and operate the German section of the pipeline. The certification process will resume once the creation of the new entity is complete, and it submits all the required documents. The

Figure 7: Natural gas prices 2021. Two-month-ahead prices of global gas benchmarks.



(Source: ICE prices)

German regulator said on December 16 that a final decision is not to be expected until mid-2022. Meanwhile, the European Parliament passed a resolution calling for the cancellation of NS2 operations, regardless of its compliance with EU legislation, in response to the Russian military assembling near the borders with Ukraine. Germany's new foreign minister Baerbock announced that further escalation could lead to a possibility of NS2 not being able to proceed, a statement underpinned by Green party's, a long-term opponent of the pipeline, control of foreign and energy and economy ministries.

On February 22, 2022, the German government halted the NS2 authorization procedure indefinitely in reaction to Russia's military actions after its army entered the Luhansk and Donetsk separatist regions of Ukraine. The stance was further galvanized after the full-scale invasion of Ukraine a few days later, with hopes of the pipeline commissioning effectively disappearing.

Oil

Crude oil prices increased in 2021 as increasing Covid-19 vaccination rates, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than the petroleum supply.

Front month closing prices of Brent crude oil started the year at 51 US dollars per barrel (USD/bbl) and increased to a 7-year-high at 86 USD/bbl on October 26, and then declined to 78 USD/bbl at the end of the year.

Brent's 2021 annual average of 71 USD/bbl is the highest in the past three years. The price of West Texas Intermediate (WTI) crude oil traced a similar pattern to Brent and averaged 3 USD/bbl less than Brent in 2021.

The average global oil demand increased in comparison with the first pandemic year 2020 by 6%, from 91.86 million barrels per day (mb/d) to 97.05 mb/d. In contrast, the average global oil supply increased by only 2%, from 93.8 (mb/d) to 95.43 mb/d. The slower increase in production was mostly attributable to OPEC+ crude oil production cuts that started in late 2020. OPEC production in December 2021 was still by 0.85 mb/d lower than in December 2019 before the Covid pandemic.

US crude oil production in 2021 decreased by 0.1 mb/d from 2020 and by 1.1 mb/d from 2019. Cold weather in February and hurricanes in August contributed to this decrease, but it also was a result of a decline in investment among US oil producers since mid-2020.

The increasing demand and lower supply of crude oil resulted in consistent global petroleum and liquid fuel inventory withdrawals from February through December and contributed to increasing crude oil prices. The largest inventory draw was in February, when Saudi Arabia imposed a cut of 1.0 mb/d on its production, and the United States experienced extremely cold weather that led to well freeze-offs and a 1.3 mb/d decline in crude oil production. A global decrease in petroleum inventories is estimated at 469 million barrels globally in 2021—likely the largest annual inventory withdrawal since 2007.

Both crude benchmark prices rocketed by 5 USD/bbl after January 5, 2021, when Saudi Arabia announced a voluntary output cut of 1 mb/d for February and March 2021.

A strong price rally between March 3 and 5 was caused by Biden´s announcement about the availability of vaccines for all adults by the end of May and the OPEC+ announcement not to increase supply substantially in April, Brent gained around 6.5 USD/bbl.

Brent lost 4.5 USD/bbl on March 19 as Europe was hit by a third wave of coronavirus cases amid slowing vaccination rollouts. Strong turbulence in crude oil prices was brought by the Suez Canal obstruction that occurred on March 23 and took 6 days.

OPEC+ announced on April 1 to ease the curbs by 0.35 mb/d in May, followed by another 0.35 mb/d in June and 0.4 mb/d in July. Additionally. Saudi Arabia also gradually brought back the additional 1 mb/d of cuts that the kingdom had put in place as a voluntary measure. Brent lost 2%.

On April 14 Brent rallied nearly 5% up, mainly due to upward revision of demand forecasts by both the IEA and OPEC.

A price fall of 4% came on May 20 thanks to potential progress in nuclear talks between Iran and the US, whereby more supply could be made available to the market. But after it came out that UN nuclear watchdog IAEA is unable to reach an expected agreement on how to continue to inspect Iran's nuclear sites, prices jumped back.

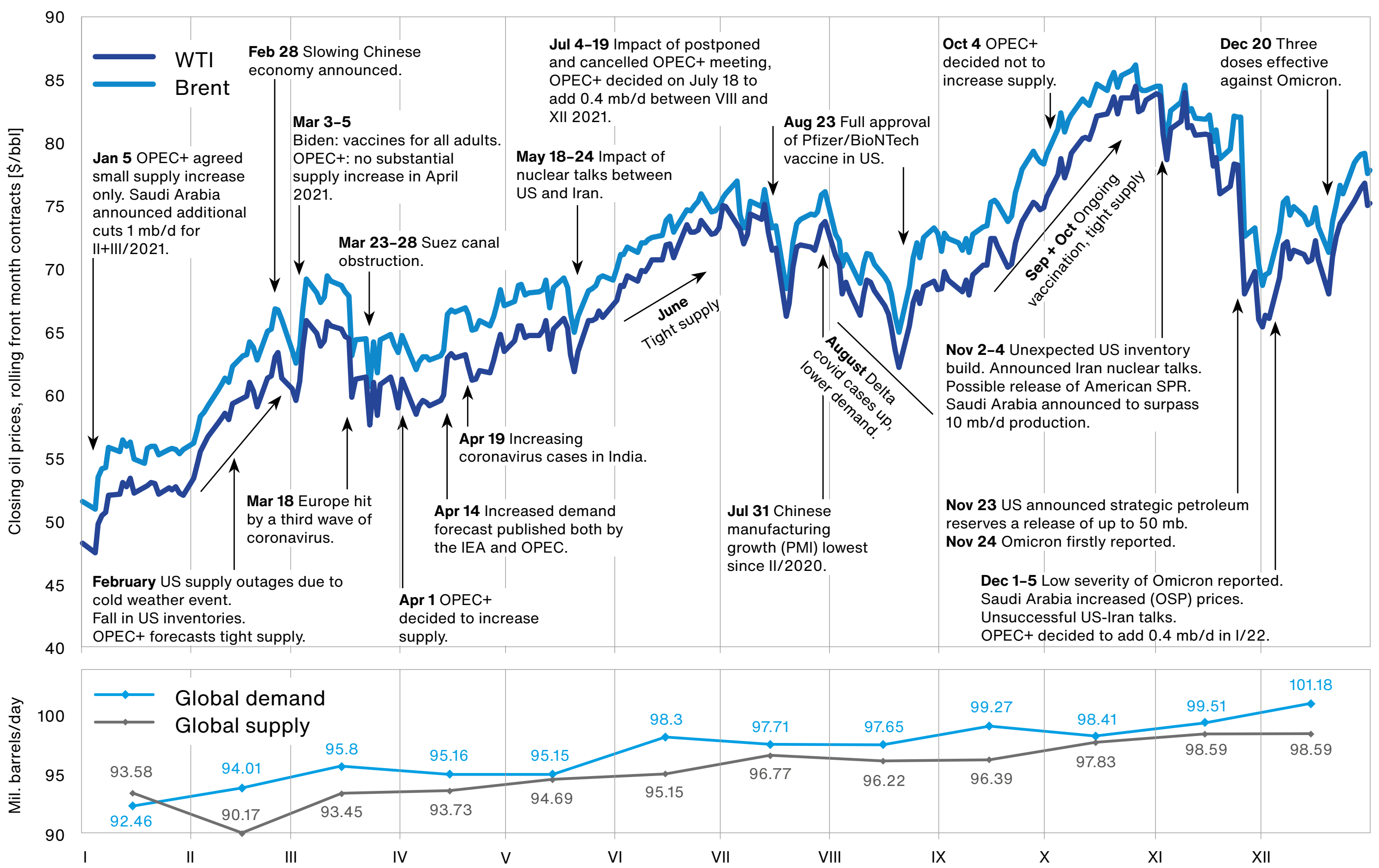
Brent gained 7 USD/bbl in June (more than 10%) on a wave of tight supply and uncertainty before the planned OPEC+ meeting on July 2, 2021, which was at first postponed and later cancelled due to tensions with Saudi Arabia about production setup.

OPEC+ finally decided on July 18, 2021, to increase supply by further 0.4 mb/d a month from August until December 2021 together including the full reversal of Saudi Arabia's voluntary production cut of an additional 1 mb/d. Brent lost within a week nearly 8 USD/bbl (10%).

During August 2021 Brent lost more than 11 USD/bbl amidst a revival of Covid (delta) cases due to record low China factory activity growth and an IEA announcement about slowing demand growth.

Brent rocketed by 6.5 USD/bbl (10%) after a full approval of the Pfizer/BioNTech vaccine by the US drug regulator on August 23 amidst more than 180,000 new cases daily in the US.

Figure 8: Year 2021, front month closing oil prices, OPEC decisions, milestones, monthly average of global oil supply and demand



(Source: Reuters, OPEC, EIA, EP Commodities)

On October 4, 2021, OPEC+ decided not to increase supply beyond the already agreed quantum despite calls from consumers for relaxing production curbs. Between October 1 and 5 Brent surged by 3 USD/bbl to 77 USD/bbl.

Both benchmarks reached historically high levels since 2014 on October 26 on the wave of tight supply and ongoing Covid vaccination, Brent at 86.4 USD/bbl and WTI at 84.7 USD/bbl.

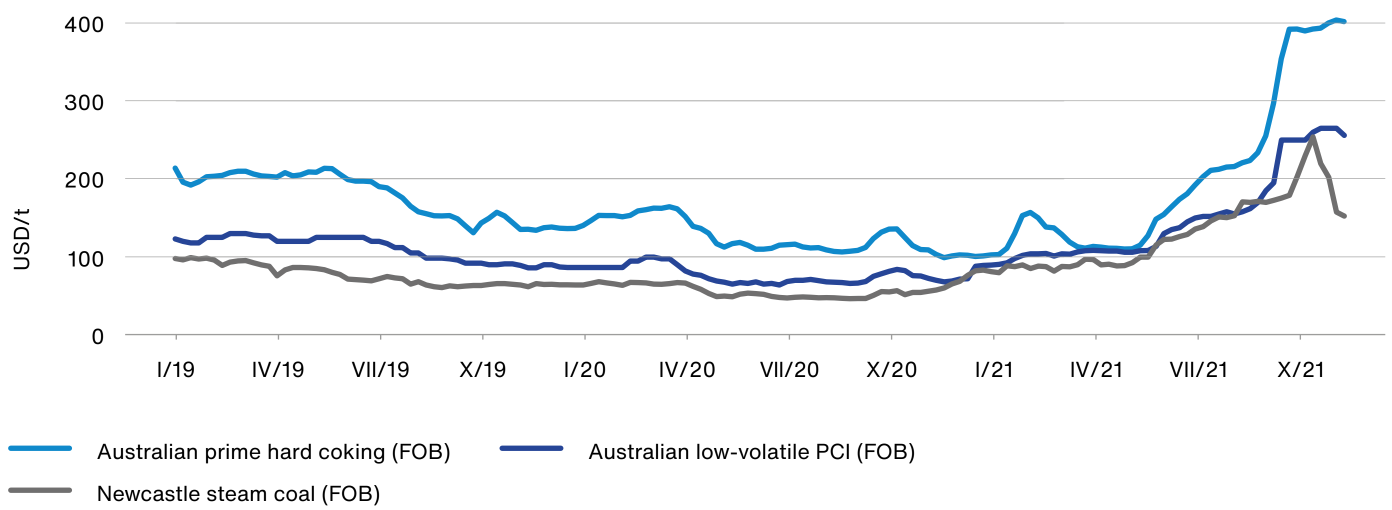
Between November 2 and 4, 2021 Brent lost 4 USD/bbl (-5%) due to unexpected US inventory build and announced Iran nuclear talks (with the possible lifting of crude export sanctions). The possible release of oil from the American State Petroleum Reserve (SPR) also added to the bearish mood.

On November 4 OPEC+ rebuffed again calls of consumers for a raise in supply and decided not to increase supply beyond already agreed quantum. On November 23, the US announced the release of 50 mb oil from SPR and India 5 mb, oil prices surged by 2.5 USD/bbl.

Brent witnessed on November 26 the largest price drop by 10 USD/bbl (-12%) within a day since April 2020, in a reaction to a new Covid-19 variant Omicron.

Later in December 2021, positive news about Omicron's low severity and a possible sufficient protection with three vaccination doses pushed prices up to higher levels, with Brent ending up at the end of the year at 78 USD/bbl and WTI at 75 USD/bbl.

Figure 9: Market prices for different types of coal, 2019–2021



Notes: FOB = free on board. PCI = pulverized coal injection, source (IEA, IHS)

(Source: IEA Coal 2021)

Oil prices were supported in January and February 2022 by dissipating fears about the impact of the Covid-19 Omicron variant, ongoing underproduction of OPEC and falling global oil inventories.

In countries like Ecuador, Kazakhstan and Libya, natural disasters, unplanned maintenance, and political turbulence caused supply disruptions.

Ongoing tensions between Ukraine and Russia got escalated after February 24, when Vladimir Putin announced the Russian invasion of Ukraine. After the resulting sanctions from the US, EU and several further countries, including also the Russian refinery sector oil prices futures surged to multi-year highs more than 100 USD/bbl, on March 3, 2022, Brent at 117 USD/bbl and WTI at 115 USD/bbl.

Coal

Demand surge in 2021 leading to all-time price highs in early October for both metallurgical and thermal coal was seen due to rapid economic recovery following the Covid-19-related markets slump of 2020, when coal demand was estimated to have fallen 4.4% from the previous year.

Overall coal demand worldwide including uses beyond power generation, such as cement and steel production, is expected to grow by 6% in 2021 to 7 906 Mt, bringing it close to the record levels it reached in 2013 and 2014 and threatening net-zero goals.

After falling in 2019 and 2020, global power generation from coal is expected to jump by 9% in 2021 to an all-time high of 10,350 TWh. In the United States and the European Union, coal power generation is expected to increase by almost 20% in 2021 but will not reach 2019 levels. By contrast, estimated growth of 12% in India and 9% in China will push coal power generation to record levels in both countries.

China's overall coal consumption is more than 52% of the global total and is underpinned by fast growing electricity demand and the resilience of heavy industry.

Coal production failed to keep pace with rebounding coal demand in 2021, especially during the first half of the year, cutting into stock levels and pushing up prices. In China and India, where coal shortages led to power outages and idled factories, domestic policies to ramp up production and reduce coal shortages were soon implemented, facilitated by the large presence of state-owned companies in production. The main coal exporting countries were prevented from fully taking advantage of high prices by supply chain disruptions, such as flooding in Indonesian mines.

Newcastle free on board (FOB) prices for thermal coal with a calorific value (CV) of 6 000 kcal/kg reached all-time highs of 230 USD/t in October 2021. Quick policy intervention by the Chinese government to balance the market had a rapid effect on prices. To ease the supply shortage, the Chinese government has asked regional authorities and coal mining companies to boost coal production. At the same time, the National Development and Reform Commission (NDRC) has called on major producers to cap prices on a voluntary basis (rail availability was limited for producers pricing above the cap). After that, thermal coal prices eased in November, dropping by 40%.

Coking coal prices also rebounded to more than 390 USD/t in October 2021, also a record high, but remained very high.

The Argus/McCloskey's Coal Price Index API2, which tracks cost, insurance, and freight (CIF) prices in Europe, found strong support from a natural gas shortage in Europe. Although carbon prices have reached record levels at 80 EUR/t, rising gas prices were provoking a power generation switch, back from gas to coal. Taken together, limited emission allowances and tight coal and gas supplies created a positive feedback loop. While restricted access to EU emission allowances has boosted gas demand, tight supplies have caused gas prices to rise so high that they are fully offsetting the effects of carbon pricing. This in turn has driven up coal demand and prices, providing support for the EU emission allowance price.

Coal prices reached all-time highs in early October 2021, with imported thermal coal in Europe, at a price of 298 USD/t. A quick policy intervention by the Chinese government to balance the market had a rapid effect on prices. As of mid-November, European prices were in the range of 150 USD/t.

In 2021, the global coal supply is set to expand by 4.3% to 7 889 Mt (just below the 2019 pre-pandemic level) following the global rebound in demand.

China's coal production is expected to rise in 2021 by 4.3% to 3,925 Mt. Stricter safety and environmental regulations together with natural disasters such as floods, disrupted China's coal production and logistics in 2021. India's coal production is expected to rise in 2021 by 3.7% to 793 Mt.

Australian coal exports to China vanished in 2021 due to China's unofficial ban on Australian coal in November 2020 after the island-nation supported calls for an international investigation into China's handling of the coronavirus outbreak earlier in the year. Since then, global trade flows have largely been rebalanced with other importing countries such as India and Korea filling the gap. Australian coal production is expected to increase by 0.3% in 2021 to 470 Mt.

In 2021, Indonesia's coal production is expected to expand by 2.2% to 576 Mt, even though coal mining companies have had difficulty ramping up production due to the low availability of heavy-duty equipment. Furthermore, heavy rains and flooding, particularly in the third quarter of 2021, curbed coal production and some exporters were forced to declare force majeure.

Figure 10: Total coal production in Mt

Region / country	2019	2020	2021	2024	2019 - 2020	2020 - 2021	CAAGR 2021 - 2024
Asia Pacific	**5,760**	**5,729**	**5,939**	**6,182**	**-0.5%**	**3.7%**	**1.3%**
China	3,724	3,764	3,925	3,982	1.1%	4.3%	0.5%
India	756	764	793	955	1.0%	3.7%	6.4%
Australia	507	468	470	477	-7.7%	0.3%	0.5%
Indonesia	601	564	576	570	-6.1%	2.2%	-0.4%
North America	**706**	**540**	**584**	**536**	**-23.5%**	**8.2%**	**-2.8%**
United States	641	485	528	484	-24.4%	8.9%	-2.9%
Central and South America	**92**	**56**	**73**	**68**	**-39.4%**	**31.5%**	**-2.5%**
Europe	**531**	**446**	**475**	**378**	**-15.9%**	**6.4%**	**-7.3%**
European Union	374	301	329	247	-19.3%	9.2%	-9.1%
Middle East	**2**	**2**	**2**	**2**	**-0.2%**	**3.7%**	**0.0%**
Eurasia	**578**	**526**	**556**	**580**	**-9.0%**	**5.8%**	**1.4%**
Russia	439	398	429	445	-9.4%	7.7%	1.2%
Africa	**276**	**262**	**260**	**269**	**-5.2%**	**-0.5%**	**1.1%**
World	**7,944**	**7,560**	**7,889**	**8,014**	**-4.8%**	**4.3%**	**0.5%**

Notes: CAAGR = compound average annual growth rate. Data for 2019 and 2020 are from IEA statistics; 2020 are preliminary; 2021 are estimated; 2024 are forecasts. Differences in totals are due to rounding. (Source: IEA Coal 2021)

After the US coal production faced a drastic drop of 24% in 2020 to 485 Mt, the coal production in 2021 is expected to increase 9% to 528 Mt stimulated by a rebound in domestic consumption as well as overseas exports. Russian coal production is estimated at 429 Mt in 2021, +7.7% year-on-year.

Global coal prices soared in January and February 2022 as escalating tensions with Russia raised concerns about a potential supply disruption. On the background of increasing gas prices and potential supply disruptions, European utilities have stepped up imports of coal, further tightening a market that has yet to recover from Indonesia's shock ban that cut coal flows during the peak winter demand season.

API2 price surged from 119 USD/t on December 30, 2021, to 415 USD/t on March 2, 2022.

EUA

European Union Allowances ended 2021 at 80.2 EUR/t, an all-time year-on-year increase from the 32.2 EUR/t close of 2020. The price was steadily increasing throughout the year with major gains during Q4 to its end-of-the-year. The record EUA prices in 2021 were driven by both power generation dynamics, policies driving compliance and speculators.

In July 2021 the 'Fit for 55' package was proposed by the European Commission aiming at reducing net greenhouse gas emissions by at least 55% by 2030. The proposed package aims to bring EU legislation in line with the 2030 goal. The EU ETS revision within the package includes a higher target for compliance covering 61% of emissions and a 4.2% linear decrease in the number of EUAs auctioned annually, which is set to raise EUA prices. Furthermore, the Carbon Border Adjustment Mechanism was proposed and should remove exemptions for Europe's manufacturing and aviation industries, which now receive 80% and 85% of their allowances for free.

'Fit for 55' with proposed EU ETS revisions have acted as a signal to investors looking to profit from a renewable/low carbon push. Many credit institutions, investment firms, funds, and non-compliance EUA buyers took open positions that increased in the second half of 2021. The number of entities invested in EUA futures, which are not under the EU directive, has risen 64% from last year, to 881 holders. Carbon exchange-traded products, favoured by retail investors, also exceed $2 billion this year.

Continued market stability reserve (MSR) injections, a mechanism to curb oversupply, removed around 308 million EUAs from auctions between September 2020 and August 2021. It is scheduled to remove another 378 million allowances between September 2021 and August 2022, further pushing the demand for EUAs.

Germany vowed to phase out coal power by 2038, nevertheless, its coal generation increased around 38% year-on-year in the first half of 2021 amid a 20% decline in wind generation. Moreover, German coal generation's increased share continued in the second half, being a more profitable energy source than gas power plants. Lignite coal-fired power plants recorded the biggest gain of all in meeting higher post-pandemic electricity demand. In France, low-carbon power also lost market share as 30% of the country's nuclear capacity was offline in January because of maintenance. Further planned and unplanned maintenances were introduced by the end of the year. These factors have upped EUA buying in fossil fuel generation compliance markets, thus pushing up demand from compliance buyers.

Record-high gas prices amid cold weather and low storage levels outpriced coal-to-gas fuel switching. This has forced power generators to switch from lower-carbon gas to carbon-heavy coal with the need to use more EUAs for compliance purposes. The high gas prices made coal-fired power plants significantly more profitable than gas power plants, even with high EUA prices.

EU economy greenhouse gas emissions in the third quarter of 2021 increased by 6% compared with the same quarter in the previous year. This increase is largely due to the effect of the economic rebound after the sharp decrease of activity in the same quarter of 2020 due to the Covid-19 crisis in the pre-pandemic third quarter of 2019, emissions amounted to 891 mt.

Emission in the electricity production sector were above the 2020 levels for the whole year with a sharp increase at the end of Q3 and Q4 climbing above the 2019 levels. This was mainly caused by the shift to coal and lignite electricity production due to rising gas prices. Between 2019 and 2021, EU power sector emissions declined at less than half the rate required for limiting global warming to 1.5 degree Celsius. The shift from fossil fuels to clean power is not happening fast enough. Coal, the dirtiest fuel, has declined just 3% since 2019, compared to 29% in the two years prior. Fossil fuels still accounted for 37% of EU electricity production in 2021, down from 39% in 2019, while renewables generated 37% and nuclear 26%. Since 2019 renewables have mainly replaced costly gas instead of dirtier coal power.

Although the wind and solar power capacity increased in 2021 from 316 GW to 350 GW, the total generation was stagnating (increase only by 5TWh year-on-year) mainly due to low wind production (decrease by 10 TWh year-on-year).

During February and March 2022, the conflict on Ukraine triggered a lot of uncertainty on the EUA market and carbon prices dropped to a 4-month low from 95.07 EUR/t at close as of February 23 to as low as 55 EUR/t during March 2. The liquidation of positions came mainly from the non-compliance sector in order to reduce their risk amid the uncertain outcome of the conflict, it's duration and the implications for industrial and political activities in Europe.

Global Events

Russia-Ukraine relations

Russian relations with Ukraine and Western countries deteriorated in 2021 on growing tensions between the two blocks. In March, Russia commenced military build-up near its border with Ukraine, viewed by the latter as a threat. Although withdrawing some forces in April, much of Russia's equipment was left in place. Further escalation came from an incident in the Black Sea involving a British warship sailing close to the Crimea peninsula annexed by Russia, the joint naval exercise of the North Atlantic Treaty Organization (NATO) with Ukraine in the summer and massive Russian military exercises in September. Further fuelling the tensions was the manifesto by Russia's president Putin expressing fears of Western activities in Ukraine, considering them hostile against Russia.

By the end of October, Russia resumed its military build-up near Ukraine, sparking fears of an invasion. Putin said that the deployment of missile systems in Ukraine by the West would be crossing a red line for Russia and asked for legal agreements that would rule out any further NATO expansion towards Russia's borders. Ukraine's aspirations to join NATO were deemed as the West ignoring these warnings and its own previous verbal assurances. In November, Moscow complained about the supply of weapons and military advisers to Ukraine by US and NATO, the deployment of a missile defence system in Romania and plans for a similar network in Poland. During common talks between the US and Russian presidents in December, Biden warned of unprecedented Western sanctions in case of Russia's attack on Ukraine, to which Putin replied by warning that such action by West would cause a complete rupture in mutual relations. The escalating confrontation was underlined by Russia's demands for the removal of all NATO military infrastructure in countries joining the alliance after 1997, effectively in all of Eastern Europe.

In Ukraine's view, demands not to expand NATO eastwards are illegitimate and Russia's activities intended to destabilize the country. The prepared underwater Nord Stream 2 (NS2) gas pipeline, bypassing a traditional land-based network through Eastern Europe, is considered as threat to Ukraine's security. Ukrainian pipelines are viewed as protection against possible Russian invasion as such action would probably disrupt gas flows to Europe. In response to Russia's military build-up, western governments warned that NS2 may never be brought online in case of an invasion.

Russia launched a full-scale invasion of Ukraine on February 24, 2022, calling it a “special operation”. Russian officials have repeatedly demanded the “demilitarization and denazification” of Ukraine, a declaration of Ukraine’s neutrality and recognition of Russian sovereignty over Crimea. The invasion was met with stiff resistance on the side of the army and people of Ukraine and has prompted worldwide condemnation and heavy sanctions imposed on Russia by the European Union, United Kingdom, United States, Canada, Australia, Japan, South Korea and Taiwan. The sanctions include freezing assets of the oligarchs around Putin and elite individuals considered responsible for the aggression, blocking the Central Bank of Russia as well as other banks and financial institutions, including a block of the SWIFT system enabling bank transactions, bans on Russian airlines in the Western flight corridors and airports, exports of technological goods to Russia, suspended cooperation on research, science, innovation, and sports. Although not equally decisive, other countries also expressed opposition to Russian actions, notably the Turkish blockade of Russian naval ships entering the Black Sea. The United Nations General Assembly overwhelmingly voted to condemn the invasion and called for withdrawal of the Russian troops from Ukraine. Similarly, sanctions have been mounting against Belarus, which has provided support to Russian army strikes from its territory. As a result of the sanctions, the Russian economy has received a huge blow, translated also in the 45% drop of the Russian ruble with respect to the US dollar to the historic low of 0.009 RUB/USD. As of early March 2022, Ukrainian forces have repulsed the initial advance of the Russian army and have prevented it from seizing the capital Kyiv, although the prospects of prolonged resistance have remained doubtful. NATO has declined any direct military interference on the risk of an open conflict with Russia, but Western countries have provided material, technological and humanitarian support for Ukraine.

Taliban in Afghanistan

In mid-August 2021, the Taliban seized the capital city of Afghanistan, Kabul, and took control of the country after a one-week campaign, following US President Joe Biden’s order to withdraw the US military troops deployed in the Central Asian country to end terrorism in reaction to the September 11 attacks of 2001.

The rapid collapse of the US-installed government took many by surprise, with thousands of people trying to flee the country and precipitating the country to a humanitarian crisis, with millions of Afghans facing severe food insecurity due to a reduction of income, cash shortages and rising food costs. The situation in the country had already been difficult in the six months before the takeover, with a sharp rise in civilian casualties.

The effect of this event on the energy markets is uncertain. On the one hand, the direct impact of the resurgent Taliban ruling in Afghanistan is negligible, with the country possessing estimated recoverable oil of 1.8 billion barrels and very low petroleum production. However, the political situation may further destabilize an already volatile region that is the centre of world oil production, which can translate into greater volatility on the markets.

Suez Canal obstruction

From March 23, the Suez Canal was blocked for six days after the grounding of Ever Given, a 20,000 TEU container ship. This disrupted global marine traffic blocking an estimated $400 million an hour in trade. Before the Ever Given was freed, 367 vessels were waiting to pass through the canal. The Suez Canal is one of the busiest trade routes in the world, with approximately 12% of total global trade moving through it. Energy exports like liquified natural gas, crude oil, and refined oil make up 5% to 10% of global shipments. The rest of the traffic is largely consumer products like clothing, furniture, manufacturing, auto parts and exercise equipment.

A journey from the Suez Canal in Egypt to Rotterdam, in the Netherlands – Europe’s largest port – typically takes about 11 days. In the case of an obstruction like this, venturing south around Africa’s Cape of Good Hope adds at least 26 more days and there are additional fuel charges. The obstruction pushed down the crude oil prices by 5%, followed by a price recovery after the reopening the Suez Canal.

Covid-19 pandemic

Despite the almost miraculous development of effective vaccines against Covid-19 in 2020, the virus continued to spread and mutate throughout the last year. From the beginning of the year more than 3.3 million people died from Covid-19, a much higher number than in 2020. The delta variant of SARS-CoV-2 established itself as the dominant variant globally. Europe has experienced a fourth wave of the pandemic, which began in September. At the end of the year South Africa was experiencing a fourth wave of infection, driven by Omicron, a variant of concern first detected in November, which is spreading worldwide and becoming the dominant variant.

Widespread Covid-19 vaccination began at the end of 2020, after the UK was the first country in the world to have clinically approved Covid-19 vaccines. More than 1 million doses were administered globally on Jan 1, 2021, increasing to more than 44 million on June 28. At the end of the year, more than 8.4 billion doses of Covid-19 vaccine have been administered worldwide. By the end of the year, 67.3% of European Union nationals have been fully vaccinated against Covid-19.

Most of the EU countries introduced strict lockdowns and restrictions during the first half of 2021. These restrictions got lifted during the spring and summer. However, they got reintroduced during the autumn and winter as the number of infected people increased again. The restrictions introduced during the second half of the year targeted mainly unvaccinated people, without imposing a general lockdown.

5

Report of the Board of Directors

on the 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 2021

For the 2021 accounting period, EP Commodities, a.s. reported sales of CZK 357.2 billion and the result of operations before tax of CZK 2,278.9 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 2021

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

Total trading in natural gas and electricity in all markets amounted to 532 TWh and in emission allowances to 188 million tonnes in 2021.

Further developments

In 2022, 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 treasury shares

The Company acquired no treasury 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 a 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, 30 June 2022

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 2021, 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, the 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 2021, 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 exercising of powers of the Board of Directors and the review of the annual financial statements and the proposal for the 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, 30 June 2022

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Independent Auditor's Report

to the Shareholder
of EP Commodities, a.s.

Deloitte.

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

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

Basis for Opinion

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

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 accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

In Prague on 30 June 2022

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	Ladislav Šauer registration no. 2261

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Individual Financial Statements for the Year Ended 31 December 2021

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

Financial Statements for the Year Ended 31 December 2021

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 30 June 2022

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 2021	31 Dec 2020
Assets			
Property, plant and equipment	5	19,129	24,942
Intangible assets	5	19,271	28,608
Trade receivables	6	-	56,501
Participations with control		525	-
Deposits and margin deposits	7	2,111,170	2,665,841
Derivative financial instruments	8 (a)	6,283,090	684,445
Tax receivables		-	38,938
Deferred tax asset	9	-	-
Total non-current assets		**8,433,185**	**3,499,275**
Inventories	10	7,985,946	2,661,848
Trade receivables	6	32,086,205	8,511,869
Deposits and margin deposits	7	26,927,858	145,741
Derivative financial instruments	8 (a)	66,733,408	7,418,210
Loans receivable	11	7,334,759	3,805,681
Cash and cash equivalents	12	2,287,631	79,935
Other non-financial assets	13	24,031	31,361
Total current assets		**143,379,838**	**22,654,645**
Total assets		**151,813,023**	**26,153,920**
Equity			
Share capital	14	100,000	100,000
Retained profits (accumulated losses)		1,826,513	1,121,709
Profit (loss) for the current period		1,860,099	704,804
Total equity		**3,786,612**	**1,926,513**
Liabilities			
Trade payables and other financial liabilities	15	10,596	639,736
Derivative financial instruments	8 (b)	8,727,933	1,280,515
Deferred tax liability	9	385,236	110,962
Total non-current liabilities		**9,123,765**	**2,031,213**
Loans and borrowings	16	7,944,682	572,884
Trade payables and other financial liabilities	15	38,171,003	9,593,160
Received deposits and margin deposits	17	10,141,370	1,320,143
Derivative financial instruments	8 (b)	82,374,948	10,634,142
Other non-financial liabilities	18	200,580	75,865
Tax liabilities	15	70,063	-
Total current liabilities		**138,902,646**	**22,196,194**
Total liabilities		**148,026,411**	**24,227,407**
Total equity and liabilities		**151,813,023**	**26,153,920**

Statement of comprehensive income

In CZK thousand

	Note	2021	2020
Sales	19	357,243,156	109,829,150
Cost of sales	20	(345,342,358)	(109,462,840)
Gain (loss) from commodity derivatives for trading	21	(8,026,788)	885,563
Subtotal		**3,874,010**	**1,251,873**
Personnel expenses	22	(310,780)	(163,538)
Depreciation and amortisation		(20,418)	(26,460)
Taxes and charges		(452)	(102)
Other operating income	23	284,807	2,128,273
Other operating expenses	23	(319,523)	(2,142,701)
Profit (loss) from operations		**3,507,644**	**1,047,345**
Interest income and expenses	24	(27,912)	67,775
Other finance income and expenses	24	(1,200,757)	(245,201)
Net finance income (loss)		**(1,228,669)**	**(177,426)**
Profit (loss) before income tax		**2,278,975**	**869,919**
Income tax expenses	25	(418,876)	(165,115)
Profit for the period		**1,860,099**	**704,804**

Statement of changes in equity

In CZK thousand

	Share capital	Retained profits	Total equity
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**
Balance at 1 Jan 2021 pursuant to IFRS	**100,000**	**1,826,513**	**1,926,513**
Profit (loss)		1,860,099	1,860,099
Balance at 31 Dec 2021	**100,000**	**3,686,612**	**3,786,612**

Statement of cash flows

In CZK thousand

	Note	2021	2020
OPERATING ACTIVITIES			
Profit/ (loss) for the year		1,860,099	704,804
Adjustments for:			
Income tax		418,876	165,115
Depreciation and amortisation		20,418	26,460
Change in allowances		(10,518)	1,649
Interest expenses and income	24	27,912	(67,775)
Unrealised foreign exchange gains/ (losses), net		(792,571)	19,128
Operating profit before changes in working capital		**1,524,216**	**849,381**
Change in trade receivables and other assets		(47,479,173)	(1,773,434)
Change in trade payables and other liabilities		35,258,530	611,138
Change in inventories		(5,402,617)	(2,661,848)
Change in trade receivables and liabilities from revaluation of derivatives	8	14,274,381	3,919,504
Cash flows generated from (used in) operating activities		**(1,824,663)**	**944,741**
Interest paid		(91,963)	(40,765)
Income tax paid	25	(35,601)	(112,445)
Net cash flows generated from (used in) operating activities		**(1,952,227)**	**791,530**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		106,629	(7,518)
Acquisition of subsidiaries		(525)	
Loans provided to related parties	11	(7,530,490)	(4,495,796)
Repayment of loans provided to related parties	11	3,957,145	3,392,904
Interest received	11	53,582	120,003
Cash flows from (used in) investing activities		**(3,413,659)**	**(990,407)**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings received	16	24,525,015	7,683,525
Repayment of loans and borrowings	16	(17,227,442)	(7,560,922)
Payment of lease liabilities		(4,533)	(5,030)
Cash flows from (used in) financing activities		**7,293,040**	**117,573**
Net increase (decrease) in cash and cash equivalents		1,927,153	(81,303)
Cash and cash equivalents at the beginning of period	**12**	**79,935**	**121,238**
Effect of exchange rate fluctuations on cash held		280,544	40,000
Cash and cash equivalents at the end of period	**12**	**2,287,631**	**79,935**

The notes to financial statements on pages 67 to 131 are an integral part of these financial statements.

Notes to the Financial Statements

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 2021 was:

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

As at 31 December 2021, 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.	56.00	56.00
J&T ENERGY HOLDING, a.s	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 2021

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 Prague 1, Josefov, Pařížská 130/26. The consolidated financial statements are available at the consolidating entity's registered office.

The financial year corresponds to the calendar year. The financial statements have been prepared for the period from 1 January 2021 to 31 December 2021 ("2021"). The comparative period is the calendar year from 1 January 2020 to 31 December 2020 ("2020").

2 Basis of the Individual Financial Statements Preparation

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 30 June 2022.

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 for trading purposes

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. Having assessed the aforementioned 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 company'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 an 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 2021.

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. Newly adopted Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2021 that have been applied in preparing the company's financial statements

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

AMENDMENT TO IFRS 16 – COVID 19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021 (EFFECTIVE FROM 1 APRIL 2021 FOR FINANCIAL YEARS STARTING AT THE LATEST ON OR AFTER 1 JANUARY 2021)

The amendment permits lessees, as a practical expedient, to not assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The amendment also permits the application of the practical expedient regarding Covid-19-related rent concessions for payments due in the period from 30 June 2021 to 30 June 2022.

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

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

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

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

II. Standards not yet effective

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

IFRS 17 INSURANCE CONTRACTS AND AMENDMENT TO IFRS 17 (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023), AND IFRS 4 – EXTENSION OF THE TEMPORARY EXEMPTION FROM APPLYING IFRS 9 (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2021)

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

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

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

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

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

AMENDMENTS TO IFRS 3 – UPDATING A REFERENCE TO THE CONCEPTUAL FRAMEWORK; IAS 16 – PROCEEDS BEFORE INTENDED USE, IAS 37 – ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT AND ANNUAL IMPROVEMENTS 2018-2020 (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022)

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

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

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

AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2 – DISCLOSURE INITIATIVE – ACCOUNTING POLICIES (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023)

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

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

AMENDMENTS TO IAS 8 – DEFINITION OF ACCOUNTING ESTIMATES (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023)

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

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

AMENDMENTS TO IAS 12 – DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023 (NOT ADOPTED BY EU YET))

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

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

AMENDMENTS TO IFRS 17 INSURANCE CONTRACTS – INITIAL APPLICATION OF IFRS 17 AND IFRS 9 – COMPARATIVE INFORMATION (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2023 (NOT ADOPTED BY EU YET))

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

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

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

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

f) Going concern

During the last two years, 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 2020 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 2021 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 costs include 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 the 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) leases for investigating or using of minerals, oil, natural gas, and similar non-renewable resources;

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

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

(d) intellectual property right 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. A 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 the depreciation of the underlying asset as an expense.

In 2021, 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 a 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 asset. If the right-of-use asset 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 the interest expense and (straight-line) depreciation of a right-of-use asset. The 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. The 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	
Derivative financial instruments	FVTPL
Loans receivable	FAAC
Cash and cash equivalents	FAAC
Trade receivables	FAAC
Financial liabilities	
Derivative financial instruments	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

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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 7 – 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 the 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. The gain (loss) from commodity derivatives for trading is recognised net in the separate 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 also includes a product “inverse gas storage facility”. This type of trade consists in the purchase of a certain capacity of an underground gas storage facility that 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 when 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 or 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 the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest 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 initial recognition;
- Lifetime ECLs: these are ECLs that result from all possible default events of debtors over the expected life of a financial instrument.

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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 initial 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) 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 a 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 to be a "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 an individual assessment (e.g., development of external ratings of principal credit risk).

For the purposes of the 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 mainly considers 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 in 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 in 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:

- sales 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 the delivery (settlement) of the energy products to the customer. The moment of the transfer of the control over the products is considered to be 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, 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 derivative remeasurements 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, fees 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 derivative remeasurements 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 affect 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

The 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

The 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, the determination of fair value comes under level 2 as it is based on the active market prices of gas, electricity and emission rights.

The 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

2021 (in CZK thousand)

	Land and buildings(1)	Technical equipment, plant and machinery(1)	Total
Acquisition cost			
Balance at 1 Jan 2021	**34,500**	**9,505**	**44,005**
Additions	146	2,786	2,932
Disposals	-	-	-
Balance at 31 Dec 2021	**34,646**	**12,291**	**46,937**
Depreciation and impairment losses			
Balance at 1 Jan 2021	**(13,000)**	**(6,063)**	**(19,063)**
Depreciation charge for the year	(6,362)	(2,383)	(8,745)
Disposals	-	-	-
Balance at 31 Dec 2021	**(19,362)**	**(8,446)**	**(27,808)**
Carrying amount			
At 1 Jan 2021	**21,500**	**3,442**	**24,942**
As at 31 Dec 2021	**15,284**	**3,845**	**19,129**

(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.

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b) Intangible assets

2021 (in CZK thousand)

	Software	Other intangible assets	Total
Acquisition cost			
Balance at 1 Jan 2021	**64,641**	**6,821**	**71,462**
Additions	9,158	-	9,158
Disposals	-	(6,821)	(6,821)
Balance at 31 Dec 2021	**73,799**	**-**	**73,799**
Amortisation and impairment losses			
Balance at 1 Jan 2021	**(42,854)**	**-**	**(42,854)**
Amortisation charge for the year	(11,674)	-	(11,674)
Disposals	-	-	-
Balance at 31 Dec 2021	**(54,528)**	**-**	**(54,528)**
Carrying amount			
At 1 Jan 2021	**21,787**	**6,821**	**28,608**
As at 31 Dec 2021	**19,271**	**-**	**19,271**

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 2021	**20,551**	**1,623**	**22,174**
Depreciation charge for the year	(5,906)	(1,426)	(7,332)
Additions to right-of-use assets	146	2,606	2,752
Disposals of right-of-use assets	-	-	-
Balance at 31 Dec 2021	**14,791**	**2,803**	**17,594**

Maturity analysis of lease liabilities

In CZK thousand

	2021
Total lease liabilities	**17,970**
Under 1 year	7,375
1–5 years	10,595

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**

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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 2021	31 Dec 2020
Trade receivables	31,284,499	7,540,989
Estimated receivables	760,147	305,317
Other receivables and assets	54,250	724,235
Loss allowances for receivables	(12,690)	(2,171)
Total	**32,086,205**	**8,568,370**

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. As shown in the following table, there are no non-current receivables.

In CZK thousand

	31 Dec 2021	31 Dec 2020
Other receivables and assets – current	54,250	667,734
Other receivables and assets – non- current	-	56,501
Total other receivables and assets	**54,250**	**724,235**

In 2021, receivables of CZK 0 were written-off through profit or loss (2020: CZK 0).

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

As at 31 December 2021, trade receivables and other assets of CZK 1,634,518 thousand were overdue (2020: CZK 0); 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 Company 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 2021	31 Dec 2020
Long-term advances	2,111,170	2,665,841
Short-term advances – margins	26,927,858	145,741
Total deposits and margin deposits	**29,039,028**	**2,811,582**

8 Derivatives

a) Receivables from derivative financial instruments

Receivables from derivative financial instruments

In CZK thousand

	31 Dec 2021	31 Dec 2020
Commodity derivatives	**73,016,498**	**8,102,655**
Current	66,733,408	7,418,210
Non-current	6,283,090	684,445

As at 31 December 2021, receivables from the revaluation of derivatives from companies controlled by the ultimate owner total CZK 39,346,706 thousand (as at 31 December 2020: CZK 2,749,656 thousand), and receivables from associates of the ultimate owner total CZK 11,612,622 thousand as at 31 December 2021 (31 December 2020: CZK 851,837 thousand).

b) Payables from derivative financial instruments

Payables from derivative financial instruments

In CZK thousand

	31 Dec 2021	31 Dec 2020
Commodity derivatives	**91,102,881**	**11,914,657**
Current	82,374,948	10,634,142
Non-current	8,727,933	1,280,515

As at 31 December 2021, payables from the revaluation of derivatives from companies controlled by the ultimate owner total CZK 45,907,258 thousand (as at 31 December 2020: CZK 6,117,923 thousand), and payables to associates of the ultimate owner total CZK 2,808,131 thousand as at 31 December 2021 (31 December 2020: CZK 409,979 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 2021

In CZK thousand

	Fair Value		Nominal value	
	Receivables	Payables	Receivables	Payables
Financially settled OTC contracts	11,209,373	8,114,191	25,593,695	27,321,875
Forwards – settled physically	61,512,205	81,606,072	134,873,105	86,331,028
Currency forwards	9,290	23,154	229,149	1,123,694
Unsettled portion of the fair value of stock exchange trades	285,630	1,359,464	-	-
Total	**73,016,498**	**91,102,881**	**160,237,651**	**112,529,209**

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**

* Premium 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.

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In CZK thousand

	31 Dec 2021		31 Dec 2020	
Purchase	Receivable	Payable	Receivable	Payable
Electricity	53,967,853	728,672	4,083,423	19,607
Gas	13,685,968	1,521,895	3,060,811	72,719
CO_2	18,309	-	43,707	-
Other	219,480	1,555,924	107,443	517,107
Sale	Receivable	Payable	Receivable	Payable
Electricity	1,206,952	58,385,980	17,156	4,586,073
Gas	2,973,577	17,732,759	123,248	3,811,808
CO_2	591,083	11,175,787	1,924	2,753,842
Other	353,276	1,864	664,943	153,501
Total	**73,016,498**	**91,102,881**	**8,102,655**	**11,914,657**

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.

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

In CZK thousand

	2021	2020
Change in trade receivables and liabilities from revaluation of derivatives (see CF)	**(14,274,381)**	**(3,919,504)**
Financial settlement of swaps	(4,160,020)	1,507,386
Derivative contracts settled through stock exchange	27,239,210	3,030,483
Physically settled contracts*	(14,466,776)	(902,102)
Unsettled part of stock exchange (MCQ)		(199,932)
Other	9,749	4,060
Revaluation of gas storage	1,615,058	1,365,172
Revaluation	10,372	
Net gain (loss) from commodity derivatives for trading (see Note 21)	**(8,026,788)**	**885,563**

* 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

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

In CZK thousand

	31 Dec 2021	Recognised in profit or loss	Recognised in equity	31 Dec 2020	Recognised in profit or loss	Recognised in equity
Non-current assets	390	87	-	303	62	-
Provisions	36,043	23,200	-	12,843	6,300	-
Deferred tax asset	**36,433**	**23,287**	**-**	**13,146**	**6,362**	**-**
Gas inventory remeasured at fair value	421,669	297,561	-	124,108	124,108	-
Deferred tax liability	**421,669**	**297,561**	**-**	**124,108**	**124,108**	**-**
Net deferred tax liability	**385,236**	**274,274**	**-**	**110,962**	**117,746**	**-**

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. The 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 INVENTORIES

In CZK thousand

	31 Dec 2021	31 Dec 2020
Total	**7,985,946**	**2,661,848**

11 Loans receivable

In CZK thousand

	Interest rate[1]	Due date	31 Dec 2021	31 Dec 2020
Loans to other than credit institutions			**7,334,759**	**3,805,681**
Energetický a průmyslový holding, a.s.	1.5% p.a. + 3m EURIBOR	31 Dec 2022	7,333,982	3,805,681
EP Commodities Ukraine LLC	5.0% p.a.	31 Dec 2022	777	-

(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.

The loan provided to Energetický a průmyslový holding can be repaid anytime without additional fees. The loan matures in 2022 and is therefore presented as short-term. On 15 December 2021, the maturity of the loan to Energetický a průmyslový holding, a.s. was extended until 31 December 2022 and the credit facility was increased from CZK 4,199,200 thousand to CZK 7,458,000.

Reconciliation of changes in short-term loans granted

LOANS GRANTED

In CZK thousand

	2021	2020
Balance at 1 Jan	**3,805,681**	**2,669,665**
Loans granted	7,475,741	4,565,272
Loans repaid	(3,701,751)	(3,333,682)
Interest income	20,895	53,923
Interest paid		(120,003)
Foreign exchange gains/losses	(265,807)	(29,494)
Balance at 31 Dec	**7,334,759**	**3,805,681**
Changes in credit throughout the year	**3,529,078**	**1,136,016**

12 Cash and cash equivalents

No loss allowance in accordance with IFRS 9 was created for 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 2021	31 Dec 2020
Current bank accounts and cash at hand	**2,287,631**	**79,935**

13 Other non-financial assets

In CZK thousand

	31 Dec 2021	31 Dec 2020
Total other non-financial assets	**24,031**	**31,361**
Prepaid expenses	19,851	15,864
Tax assets	4,164	15,490
Other assets	16	7

14 Share capital

Share capital and share premium

As at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020, the sole shareholder is EP Power Europe, a.s.

AS OF 31 DECEMBER 2021

	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 2021	31 Dec 2020
Trade payables	20,915,112	7,381,311
Estimated payables	16,913,535	1,369,125
Accrued expenses	303,677	291,525
Lease liabilities (IFRS16)	17,970	22,503
Other liabilities	31,305	1,168,431
Total	**38,181,599**	**10,232,895**

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

In CZK thousand

	31 Dec 2021	31 Dec 2020
Estimated payables	-	623,783
Lease liabilities – non-current	10,596	15,953
Total	**10,596**	**639,736**

Estimated payables principally represent the estimated payable relating to the inverse gas storage facility totalling CZK 4,547,893 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 1,280,188 thousand (as at 31 December 2020: CZK 545,904 thousand).

Accrued expenses principally comprise accrued gas supplies from ČEZ, a.s. totalling CZK 295,811 thousand (as at 31 December 2020: CZK 292,249 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 2021 and 31 December 2020, trade payables and other liabilities were not secured.

The Company reports trade payables past their due dates by fewer than 30 days of CZK 2,680,446 thousand (2020: CZK 35 thousand). These payables were paid in January 2022 after the approval of netting with receivables by the counterparty.

As at 31 December 2021 and 31 December 2020, no liabilities to tax authorities were overdue.

16 Loans and borrowings

Loans and borrowings

In CZK thousand

	31 Dec 2021	31 Dec 2020
Loans and borrowings – credit institutions		
short-term	7,944,682	572,884
long-term	-	-
Total	**7,944,682**	**572,884**

Bank loan at amortised cost

The Company has four 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 2021:

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	Effective interest rate (%), undrawn portion
Commerzbank – overdraft		-	17/6/2022	1.35% p.a. + 1m Euribor	0.45%	1.35%	0.51%
UniCredit – overdraft		-	11/6/2023	1.25% p.a. + 1m Euribor	0.30%	0.60%	0.30%
ING Bank N.V.	3,604,700	-	23/6/2022	1.35% p.a. + 1m Euribor	0.41%	1.35%	0.56%
Komerční banka a.s. Tranche A	1,232,482	-	22/11/2022	1.62% + €STR	0.4%	1.62%	0.7%
Komerční banka a.s. Tranche B	3,107,500	-	30/6/2022	1.62% + EURIBOR	0.4%	1.62%	0.9%
Total	**7,944,682**						

(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 2021, the Company extended and increased the credit facility under the agreement with Commerzbank Aktiengesellschaft, Prague branch, ING BANK and UnicreditBank and concluded a new agreement with Komerční banka a.s.. 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 are in total of EUR 580 million.

Reconciliation of changes in short-term received bank loans

RECEIVED LOANS

In CZK thousand

	2021	2020
Balance at 1 Jan	**572,884**	**410,281**
Received loans	24,579,740	7,629,058
Repayment of loans	(17,157,142)	(7,464,290)
Interest expense	40,835	26,932
Interest paid	(40,835)	(26,932)
Foreign exchange gains/losses	(10,800)	(42,165)
Balance at 31 Dec	**7,984,682**	**572,884**
Changes in credit throughout the year	**7,411,798**	**162,603**

Loans received from non-financial institutions at amortised cost

The received loan on 9 April 2020 from EP Power Europe, a.s., in the amount of CZK 40 million for the purpose of a gift to the Ministry of the Interior in the form of facemasks was repaid on 4 April 2021.

17 Received deposits and margin deposits

In CZK thousand

	31 Dec 2021	31 Dec 2020
Total received deposits and margin deposits	**10,141,370**	**1,320,143**

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

18 Other non-financial liabilities

Other non-financial liabilities

In CZK thousand

	31 Dec 2021	31 Dec 2020
Total	**200,580**	**75,865**
Payables to employees relating to payroll	7,615	5,614
Payables to health insurance and social security institutions	3,265	2,658
Payables to employees relating to unused vacation days and bonuses	189,700	67,593

19 Sales

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

Sales analysis by product type:

Sales

In CZK thousand

	2021	2020
Sale of electricity	107,265,980	31,540,647
Sale of gas	206,957,947	27,243,072
Sale of CO_2	41,435,246	50,204,068
Sale of services	1,583,983	841,363
Total sales	**357,243,156**	**109,829,150**

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

Customers representing over 10% of sales:

In 2021, revenues from EP Produzione S.p.A. and European Commodity Clearing and Gazel Energie Solutions S.A.S. represented over 10% of total 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.

Sales analysis by registered office of the counterparty:

SALES BY COUNTERPARTY REGISTERED OFFICE IN 2021

In CZK thousand

	Total	DE	IT	CZ	FR	GB	LU	IE	Other
Sale of electricity	107,265,980	32,895,763	288,113	3,762,989	34,378,836	14,800,403	18,529,708	13,500	2,596,668
Sale of gas	206,957,947	7,856,811	45,095,388	10,744,774	3,855,272	33,704,645	47,305,073	15,236,027	43,159,957
Sale of CO_2	41,435,246	12,118,558	19,488,940	5,885,983	3,635,234	6,594	-	299,938	-
Sale of services	1,583,983	449,075	24,669	28,949	96,034	792,661	-	-	192,595
Total sales	**357,243,156**	**53,320,206**	**64,897,109**	**20,422,696**	**41,965,376**	**49,304,302**	**65,834,782**	**15,549,465**	**45,949,220**

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**

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 commodity transactions, open contracts represent derivatives and are remeasured in line with IFRS 9 (in line with IFRS 15 only at the moment of delivery). A 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 invoices incurred costs with an agreed margin. As the reinvoiced 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 2021 and 2020, 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

	2021	2020
Cost of electricity sold	106,911,175	31,446,009
Cost of gas sold	196,288,170	27,363,511
Cost of CO_2 sold	41,290,617	49,900,850
Materials and energy used	2,825	2,650
Services*	849,571	749,820
Total costs	**345,342,358**	**109,462,840**

* The cost of services principally represents 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

	2021	2020
Gain (loss) from commodity derivatives for trading	**(8,026,788)**	**885,563**
Gain (loss) from commodity derivatives for trading Gas	(8,905,131)	995,403
Gain (loss) from commodity derivatives for trading Electricity	(3,033,453)	87,773
Gain (loss) from commodity derivatives for trading CO_2	743,008	(224,599)
Gain (loss) from commodity derivatives for trading Other	3,168,788	26,986

In 2021, the gain/(loss) from commodity derivatives for trading in relation to companies controlled by the ultimate owner totalled CZK (14,480,202) thousand (2020: CZK 229,933 thousand), and in relation to associates of the ultimate owner CZK 13,791,364 thousand (2020: CZK 160,491 thousand).

22 Personnel expenses

In CZK thousand

	2021	2020
Total	**310,780**	**163,538**
Wages and salaries	147,958	99,732
Compulsory social security contributions	38,604	29,303
Other social expenses	2,111	1,346
Unused vacation days and employee bonuses*	122,107	33,157

* 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 2021 was 85 (2020: 76). Members of the Board of Directors and Supervisory Board are not compensated for the performance of their offices.

As at 31 December 2021, the Company had no pension liabilities towards former members of management, supervisory and administrative bodies.

23 Other operating income and expenses

In CZK thousand

	2021	2020
Capacity certificates	282,864	2,125,567
Other	1,943	2,706
Other operating income	**284,807**	**2,128,273**
Capacity certificates	(279,059)	(2,092,980)
Gifts	(26,555)	(46,544)
Other	(13,909)	(3,177)
Other operating costs	**(319,523)**	**(2,142,701)**

24 Financial revenues and expenses

In CZK thousand

	2021	2020
Interest income	66,476	67,775
Finance income	**66,476**	**67,775**
Interest expense (by effective interest rate)	(94,389)	(42,022)
Cost of commission and banking fees	(138,313)	(103,138)
Net foreign exchange loss	(1,062,443)	(100,041)
Finance expense	**(1,295,145)**	**(245,201)**
Net finance income (loss) reported in the statement of comprehensive income	**(1,228,669)**	**(177,426)**

25 Income tax expenses

Income tax

In CZK thousand

	2021	2020
Current tax – current year	143,047	48,759
Changes in tax estimate for the previous period	1,555	(1,390)
Deferred tax	274,274	117,746
Total income tax	**418,876**	**165,115**

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

	2021		2020	
Profit before tax	**2,278,975**		**869,919**	
Income tax using the effective income tax rate	433,005	19.00%	165,285	19.00%
Impact of items that are never tax-deductible	(14,129)	(0.62)%	(170)	(0.02)%
Total income tax/effective tax rate	**418,876**	**18.38%**	**165,115**	**18.98%**

The estimated current income tax for 2021 of CZK 143,047 thousand was reduced by income tax prepayments of CZK 72,984 thousand, and the resulting payable was reported in Tax liabilities (CZK 70,063 thousand). In 2020, the estimated income tax of CZK 48,759 thousand was reduced by income tax prepayments of CZK 87,697 and the resulting receivable was reported in Tax receivable (CZK 38,938 thousand).

26 Financial guarantees

As at 31 December 2021 and 2020, the Company had concluded the following guarantees in favour of its suppliers and business partners:

In CZK thousand

Guarantor	31 Dec 2021	31 Dec 2020
Energetický a průmyslový holding a.s.	35,101,197	22,121,318
Sumitomo Mitsui Banking Corporation	85,772	771,078
HSBC Bank plc	659,730	564,652
EP Power Europe, a.s.	658,790	39,368
Commerzbank	300,000	-
Privredna bank Zagreb d.d.	65	69
Total	**36,805,554**	**23,496,483**

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. The 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 derivative 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 and customers' payment behaviour, and performs analyses of the ageing structure of receivables.

The Company establishes an allowance for impairment that represents its estimate of possible losses with respect to 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 the "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 (2.7% for 2020, 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 the 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 2021

In CZK thousand

	Corporates (non-financial institutions)	Banks	Total
Financial assets	**122,373,055**	**21,391,066**	**143,764,121**
Receivables from revaluation of derivatives	72,730,868	285,630	73,016,498
Deposits and margin deposits	10,221,211	18,817,817	29,039,028
Cash and cash equivalents	12	2,287,619	2,287,631
Trade receivables	32,086,205	-	32,086,205
Loans granted	7,334,759	-	7,334,759

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

Risk by location of debtor

AS AT 31 DEC 2021

In CZK thousand

	EU	Europe excl. the EU	Czech Republic	Total
Financial assets	**97,811,570**	**25,594,740**	**20,357,811**	**143,764,121**
Receivables from revaluation of derivatives	53,651,307	9,733,874	9,631,317	73,016,498
Deposits and margin deposits	17,893,757	11,106,237	39,034	29,039,028
Cash and cash equivalents	64,879	161	2,222,590	2,287,631
Trade receivables	26,201,626	4,753,691	1,130,888	32,086,205
Loans granted	-	777	7,333,982	7,334,759

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

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 2021 and 31 December 2020, there was no offsetting in the accounts.

ASSETS AND LIABILITIES OFFSETTING

In CZK thousand

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Assets / Liabilities from revaluation of derivatives	73,016,498	91,102,881	8,102,655	11,914,657
Deposits and margin deposits / Received deposits and margin deposits	29,039,028	10,141,370	2,811,582	1,320,143
Trade receivables / payables and other financial liabilities	32,086,205	38,181,599	8,568,370	10,232,896
Effect of master agreements on offsetting	(36,237,761)	(36,237,761)	(4,814,851)	(4,814,851)
Net value after offsetting under master agreements	**97,903,970**	**103,188,089**	**14,667,756**	**18,652,845**

The Company trades under EFET and ISDA master agreements. These agreements allow the mutual offsetting of assets and liabilities in the case of the 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 an 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 2020, relating to trade receivables and other assets	**522**
Additions and utilisation in 2020	1,649
Loss allowances balance at 31 December 2020	**2,171**
Additions and utilisation in 2021	10,519
Balance of loss allowances as at 31 December 2021	**12,690**

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

In CZK thousand

Gross trade receivables	31 Dec 2021	31 Dec 2020
Receivables within due date	30,464,377	8,570,541
Receivables up to 1 month past due	1,634,518	-
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	**32,098,895**	**8,570,541**

Impairment losses on financial assets at amortised cost as at 31 December 2021 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. The 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 2021.

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.

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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., the diversification of sources of funds. This diversification makes the Company flexible and limits its dependency on one financing source. The 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 the further reduction of the 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 (un-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 the 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 2021						
Loans and borrowings – drawn portion	**7,944,682**	7,944,682	7,944,682	-	-	-
Trade payables and other financial liabilities	**38,181,599**	38,181,599	38,171,003	-	10,596	-
Received deposits and margin deposits	**10,141,370**	10,141,370	-	-	-	10,141,370
Liabilities from revaluation of derivatives	**91,102,881**	91,102,881	25,209,668	57,165,280	7,727,933	-
Total	**147,370,532**	**147,370,532**	**71,325,354**	**57,165,280**	**8,738,529**	**10,141,370**

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**

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 rates are not included in the following table.

The Company provided two loans to the EPH Group, and as stated above entered into four 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). Loan liabilities include both the fixed and variable interest portions. The variable portion is linked either to 1-month EURIBOR or €STR interest rate depending on whether the loan is revolving or overdraft loan respectively. 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	
	2021	2020	2021	2020
Loans and borrowings	7,334,759	3,805,681	7,944,682	572,884
Total	**7,334,759**	**3,805,681**	**7,944,682**	**572,884**

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 2021	31 Dec 2020
	Profit/(loss)	Profit/(loss)
Average drawn overdraft principal per day	2,616,032	1,354,152
Increase in interest rates of 1%	26,160	13,542

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.

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

AS AT 31 DEC 2021

In CZK thousand

	EUR	Other
Assets		
Trade receivables	30,492,058	1,594,147
Receivables from revaluation of derivatives	70,046,195	2,970,303
Deposits and margin deposits	30,208,744	(1,169,716)
Cash and cash equivalents	2,194,600	93,031
Loans granted	7,334,759	-
	140,276,356	**3,487,765**
Payables		
Loans and borrowings	7,944,682	-
Trade payables and other financial liabilities	36,076,155	2,105,444
Received deposits and margin deposits	10,125,960	15,410
Liabilities from revaluation of derivatives	88,181,902	2,920,979
	142,328,699	**5,041,833**

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**

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

	2021		2020	
	Average rate	Exchange rate at the reporting date	Average rate	Exchange rate at the reporting date
EUR	25.645	24.86	26.444	26.245

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 2021	31 Dec 2020
	Profit / (loss)	Profit / (loss)
EUR (5% appreciation)	(102,617)	18,301

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 the 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 the 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, NL.
  - The Company also trades API 2 ARA coal, Brent and WTI crude oil, and European emission rights.
  - As at 31 December 2021, VaR totalled CZK (28,625) thousand, and as at 31 December 2020, CZK (18,893) 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	
	2021	2020	2021	2020
Assets and liabilities from revaluation of derivatives	73,016,498	8,102,655	91,102,881	11,914,657

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 the 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 net debt to adjusted capital ratio. At the end of the reporting period the ratio was as follows:

In CZK thousand

	31 Dec 2021	31 Dec 2020
Total interest-bearing liabilities	7,944,682	532,884
Less: cash and cash equivalents	2,287,631	79,935
Net debt	**5,657,051**	**452,949**
Total equity attributable to the equity holders	**3,786,612**	**1,926,513**
Net debt to adjusted capital	**1.49**	**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 2021 and 31 December 2020 was as follows:

In CZK thousand

Receivables and payables – related parties	Receivables 2021	Payables 2021	Receivables 2020	Payables 2020
Ultimate owner	-	-	-	-
Entities controlled by the ultimate owner	52,551,281	56,297,244	10,485,292	8,908,226
Associates of the ultimate owner	13,889,562	14,688,762	1,347,751	2,175,299
Total	**66,440,843**	**70,986,006**	**11,833,043**	**11,083,525**

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 2021 and 2020

In CZK thousand

Transactions with related parties	Revenues 2021	Expenses 2021	Revenues 2020	Expenses 2020
Ultimate owner	-	-	-	-
Entities controlled by the ultimate owner	151,390,700	(116,111,523)	42,957,495	(27,107,667)
Associates of the ultimate owner	23,767,616	(25,948,471)	9,583,448	(7,787,836)
Total	**175,158,316**	**(142,059,994)**	**52,540,943**	**(34,895,503)**

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

The summary includes all expenses and revenues with related parties except 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 key members of the management

In 2021 and 2020, 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	2021	2020
Number of employees	18	18
Payroll costs, including health insurance and social security in CZK thousand	57,512	41,016

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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.

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

In overall, the Company's management has evaluated potential impacts of the current situation on its activities and its business and has concluded that there are no significant impacts on the Company's financial statements. 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 from EUR 580 million to EUR 790 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 2021.

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Report on Related Party Relations

under Act No. 90/2012 Coll., on Business Corporations and Cooperatives for the reporting period from 1 January 2021 to 31 December 2021

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 2021 to 31 December 2021 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 2021 to 31 December 2021 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 2021, 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 30 September 2021 with EP Produzione Centrale Livorno Ferraris S.p.A.

5) Agreement for the supply of natural gas concluded on 30 September 2021 with Biomasse Italia Spa.

6) Agreement for the supply of natural gas concluded on 30 September 2021 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 31 August 20121 with SPP-distribúcia, a.s.

13) Contract for the supply of natural gas for 2021 concluded on 25 June 2021 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) Contract for maintaining of financial security with EP ENERGY TRADING, a.s. concluded on 1 December 2017

20) Agreement on provision of professional assistance with EP Power Europe concluded on 11 March 2022

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

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

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

24) EFET General Agreement concerning the delivery and acceptance of electricity with Kraftwerk Mehrum GmBH concluded on 29 January 2018

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

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

27) 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

72) Gas Storage Agreement – Inverse Storage concluded on 11 August 2021 with NAFTA a.s.

73) EFET General Agreement concerning the delivery and acceptance of Natural Gas concluded with Humbly Grove Energy Limited on 11 November 2021

74) EFET General Agreement concerning the delivery and acceptance of Natural Gas concluded with Tynagh Energy Limited on 5 April 2021

75) Loan Agreement with EP Commodities Ukraine LLC dated as of 9 August 2021

76) ISDA Master agreement concluded with Mitteldeutsche Braunkohlengesellschaft mbH on 22 December 2021

77) Service Level Agreement concluded with Saale Energy GmBH on 21 January 2021

78) AOT Service Level Agreement concluded with Saale Energy GmBH on 10 November 2021

79) Service Level Agreement concluded with Kraftwerk Mehrum GmBH on 15 December 2021

80) Agreement on Self – Billing concluded with Tynagh Energy Limited on 30 September 2021

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 2021, 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 2022

Miroslav Haško
Chairman of the Board of Directors

Daniel Pexidr
Member of the Board of Directors