DK Holding Investments, s.r.o.

Consolidated Annual Report 2020

Consolidated Annual Report 2020 of the company DK Holding Investments, s.r.o.

The consolidated annual report has been prepared for the year ended 31 December 2020 for the company DK Holding Investments, s.r.o. (“the Company”, “DKHI”) and its subsidiaries (together referred to as the “the Group”).

BUSINESS DESCRIPTION

DKHI:

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

MANAGEMENT

As of 31 December 2020, the company DKHI is represented by the Company Executive Director and Manager, Mr. Jaromir Tesar. The subsidiary companies within the Group are managed by its legal bodies according to the legal form of the entity and the local legislation.

CURRENT YEAR RESULTS

The Group have achieved a satisfactory financial result in 2020. In the following years, the Group will continue to maintain a steady trend and remain strict in cost controlling costs and overseeing its investments.

RESPONSIBILITIES OF THE MANAGEMENT

The Management confirms that appropriate accounting policies have been used and applied consistently and that reasonable and prudent judgements and valuation of assets, liabilities, revenues and expenses have been made in the preparation of the consolidated financial statements for the year ended 31 December 2020. The Management also confirms that applicable accounting standards have been followed.

EVENTS AFTER THE REPORTING PERIOD

ENERGO-PRO Green Finance, s.r.o. (“EPGF”)

On 7 May 2021, the company EPGF increased the 6.5% Notes due 2023 (ISIN: CZ0003527749) (Note 20) by another CZK 530 milion (EUR 20.2 million) bond issue. The total face value of issued bonds is CZK 1,060 million (EUR 40.4 million) as of the issuance of these financial statements. The issued bonds still have maturity of 3 years and a fixed coupon of 6.5% p.a. The bonds have been admitted to trading on the regulated market of the Prague Stock Exchange. The issue price of the bonds 100% of nominal value.

ENERGO-PRO Swiss GmbH (“EP Swiss”)

Based on the Shares Purchase Agreement with the Company dated 26 February 2021, the ENERGO-PRO a.s. became the single shareholder of ENERGO-PRO Swiss GmbH.

Appointment of a new CEO of the ENERGO-PRO a.s. and its subsidiaries and changes in the ENERGO-PRO a.s.'s governing bodies

On April 30, 2021, the ENERGO-PRO a.s. announced changes in its management of the company and the governing bodies of the company with effect from May 1, 2021. The Board of Directors of ENERGO-PRO a.s. appointed Petr Z. Milev as the General Director of the ENERGO-PRO a.s. and its subsidiaries ("ENERGO-PRO Group"). The position of the Chairman of the Board of Directors remains with Mr. Jaromír Tesař. The three-member Board of Directors of ENERGO-PRO a.s. will be completed by Mr. Petr Z. Milev and Mr. Vlastimil Ouřada, CFO of the ENERGO-PRO Group. Both will resign from their positions on the ENERGO-PRO a.s.'s Supervisory Board. Mr. Pavel Váňa will no longer be a member of the Board of Directors. Petr Tesař is transferred from the ENERGO-PRO a.s.'s Board of Directors to the two-member Supervisory Board, to which Christian E. Blatchford will join as Chairman of the Supervisory Board.

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

RESEARCH AND DEVELOPMENT (R&D)

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

ENVIROMENTAL PROTECTION

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

LABOUR RELATIONS

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

This annual report and the related financial statements were approved for issue and signed on behalf of the Company Executive Director and the Group's management on 1 July 2021.

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

DK Holding Investments, s.r.o.

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

For the period ended 31 December 2020

Contents

(EUR'000)	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	908,472	978,764
Prepayments for property, plant and equipment		548	13,726
Goodwill	7	68,422	75,230
Other intangible assets	8	31,775	39,914
Non-current financial assets	10	2,870	8,040
Deferred tax assets	27	14,307	6,158
Non-current portion of issued loans	9	1,605	1,900
Other non-current assets		28,808	37,779
Total non-current assets		**1,056,807**	**1,161,511**
Current assets			
Inventories	11	33,541	42,189
Trade and other receivables	12	73,724	113,629
Current income tax asset		2,944	4,141
Current portion of issued loans	9	1,257	712
Contract assets		68,721	20,279
Cash and cash equivalents	13	56,786	133,182
Other current assets	14	39,172	40,186
Total current assets		**276,145**	**354,318**
Total assets		**1,332,952**	**1,515,829**
EQUITY			
Authorised share capital	15	7	7
Additional paid-in capital		340,000	190,000
Translation reserve		(219,838)	(150,668)
Retained earnings (losses) & Other reserves	16	(107,531)	21,346
Equity attributable to the company's owners		**12,638**	**60,685**
Non-controlling interest		25,956	24,054
Total equity		**38,594**	**84,739**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	27	7,220	8,975
Non-current Provisions	19	11,009	13,571
Non-current Borrowings	20	946,510	953,673
Non-current financial liabilities	17	3,983	1,447
Other non-current liabilities	18	11,131	11,979
Total non-current liabilities		**979,853**	**989,645**
Current liabilities			
Provisions	19	8,264	9,500
Trade and other payables	21	126,526	127,184
Income tax payable		195	941
Borrowings	20	88,317	47,813
Contract liabilities		23,567	42,005
Other current liabilities to shareholder	22	44,590	199,195
Other current liabilities	22	23,046	14,807
Total current liabilities		**314,505**	**441,445**
Total liabilities		**1,294,358**	**1,431,090**
TOTAL LIABILITIES AND EQUITY		**1,332,952**	**1,515,829**

Approved for issue and signed on behalf of the Company by Executive Director on 1 July 2021.

(EUR'000)	**Note**	**1 January - 31 December 2020**	**1 January - 31 December 2019**
Revenue			
Sales of electricity in local markets		550,564	609,478
Cross border sales of electricity		361	419
Grid components of electricity sales price		114,811	110,732
Services and other		96,974	73,615
Total revenue		**762,710**	**794,244**
Other income	26	11,919	12,419
Changes in inventory of products and in work in progress		(1,739)	362
Capitalized own products and own services		-	1,562
Purchased power		(441,324)	(461,798)
Service expenses	23	(70,579)	(76,931)
Labour costs		(90,336)	(88,148)
Material expenses		(40,380)	(23,451)
Tax expenses		(4,762)	(4,272)
Other operating expenses	24	(17,642)	(18,637)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA) [1]		**107,867**	**135,350**
Depreciation and amortisation expense	6,8	(54,259)	(56,879)
Earnings before financial expenses and taxes (EBIT)		**53,608**	**78,471**
Finance income	25	3,685	2,167
Finance costs	25	(189,219)	(37,462)
Finance costs – net		**(185,534)**	**(35,295)**
Income before income tax (EBT)		**(131,926)**	**43,176**
Income tax	27	(4,796)	(6,491)
Deferred taxes	27	10,996	(2,857)
Total income tax expense		**6,200**	**(9,348)**
Profit/(loss) for the year		**(125,726)**	**33,828**
Profit/(loss) attributable to:			
- Owners of the company		(127,655)	31,305
- Non-controlling interest		1,929	2,523
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(69,234)	(32,275)
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		(487)	(1,039)
Tax effect		-	-
Net amount		(487)	(1,039)
Other comprehensive income/(loss)		**(69,721)**	**(33,314)**
Total comprehensive income/(loss)		**(195,447)**	**514**
Total comprehensive income attributable to:			
- Owners of the company		(197,353)	(1,958)
- Non-controlling interest		1,906	2,472

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

DK Holding Investments, s.r.o.
Consolidated Statement of Changes in Equity
For the period ended 31 December 2020

	Equity attributable to the company's owners						
(EUR'000)	**Authorised ("Unpaid") share capital**	**Additional paid-in capital**	**Translation reserve**	**Retained earnings & Other reserves**	**Total equity without non-controlling interest**	**Non-controlling interest**	**Total equity**
1 January 2019	**7**	**190,000**	**(119,526)**	**(8,261)**	**62,220**	**21,582**	**83,802**
Net income for the period	-	-	-	31,305	31,305	2,523	33,828
Other comprehensive income	-	-	(32,275)	(988)	(33,263)	(51)	(33,314)
Comprehensive income for the period	-	-	(32,275)	30,317	(1,958)	2,472	514
Other changes in equity	-	-	1,133	(710)	423	-	423
31 December 2019	**7**	**190,000**	**(150,668)**	**21,346**	**60,685**	**24,054**	**84,739**
1 January 2020	**7**	**190,000**	**(150,668)**	**21,346**	**60,685**	**24,054**	**84,739**
Net income for the period	-	-	-	(127,655)	(127,655)	1,929	(125,726)
Other comprehensive income	-	-	(69,234)	(464)	(69,698)	(23)	(69,721)
Comprehensive income for the period	-	-	(69,234)	(128,119)	(197,353)	1,906	(195,447)
Increase in additional paid-in capital		150,000	-	-	150,000	-	150,000
Other changes in equity	-	-	64	(758)	(694)	(4)	(698)
31 December 2020	**7**	**340,000**	**(219,838)**	**(107,531)**	**12,638**	**25,956**	**38,594**

Approved for issue and signed on behalf of the Company by Executive Director on 1 July 2021.

(EUR'000)	Note	1 January - 31 December 2020	1 January - 31 December 2019
Profit/(loss) before income tax		**(131,926)**	**43,176**
Adjusted for:			
Depreciation and amortization expense	6,8	54,259	56,879
Unrealised currency translation losses/(gains)		110,864	(587)
Interest income	25	(41)	(27)
Interest expenses	25	70,191	33,225
Changes in provisions and impairment		(8,954)	1,092
Assets granted free of charge		(765)	-
Inventory surplus		(1,325)	(3,553)
(Gain)/Loss on disposal of property, plant and equipment		1,615	2,824
Inventory obsolescence expense		1,568	-
Other changes - difference in rate of exchange etc.		(3,804)	3,321
Cash inflow from operating activities before changes in operating assets and liabilities		**91,682**	**136,350**
Movements in working capital			
Decrease/(increase) in inventories	11	11,088	(15,628)
Decrease/(increase) in trade accounts receivable	12	(27,898)	8,972
Decrease/(increase) in other current assets	14	(7,756)	(19,092)
Increase/(decrease) in trade and other payables	21	(9,226)	26,950
Increase/(decrease) in other liabilities	22	11,180	(5,135)
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**69,070**	**132,418**
Interest received		52	-
Income tax paid		(4,351)	(6,386)
Net cash (outflow)/inflow from operating activities		**64,771**	**126,032**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash of entities acquired (-), Disposal of subsidiaries, net of cash of entities disposed		13	-
Purchases of property, plant and equipment and intangible assets	6,8	(170,928)	(262,876)
Proceeds from sale of property plant and equipment		143	-
Loans granted	9	(574)	(2,132)
Loans repaid	9	81	926
Net change in deposits granted		3,937	(5,587)
Acquisition of financial investment		(153)	(1,187)
Net cash outflow from investing activities		**(167,481)**	**(270,856)**
Cash flows from financing activities			
Proceeds from borrowings		230,712	505,404
Repayment of borrowings		(199,547)	(249,456)
Issued bonds		20,009	-
Bond fees		(529)	-
Interest paid		(46,862)	(35,055)
Dividends paid to non-controlling interest		-	
Dividends paid to the shareholders of the parent company		-	
Net cash used in financing activities		**3,783**	**220,893**
Net increase/(decrease) in cash and cash equivalents		**(98,927)**	**76,068**
Cash and cash equivalents at the beginning of the year		**133,182**	**55,872**
Effect of exchange rate on changes on Cash and Cash equivalents		22,531	1,242
Cash and cash equivalents at the end of the year		**56,786**	**133,182**

Approved for issue and signed on behalf of the Company by Executive Director on 1 July 2021.

Notes to Consolidated Financial Statements

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

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

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

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

The number of employees of the DKHI Group as of 31 December 2020 and 2019 was 9,645 and 9,754, respectively.

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

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

ENERGO-PRO Industries, s.r.o. (“EPI”)

EPI is a limited liability company established on 5 February 2014. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic.

As of 31 December 2020, EPI is parent company in the following entities:

		EPI’s ownership interest	
Name	**Location**	**2020**	**2019**
Litostroj Turkey Türbin Imalat Sanay ve Tic. A.Ş.	Turkey	100%	100%
LITOSTROJ Holding U.S. INC.	United States	100%	100%
Litostroj Power d.o.o.	Slovenia	100%	100%

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

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

As of 31 December 2020, LTH US is parent company in the following entity:

		LTH US’s ownership interest	
Name	**Location**	**2020**	**2019**
LITOSTROJ U.S. LLC.	United States	100%	100%

Litostroj Power Group (“LP Group”) activities are focused on two major segments – design and production of energy and industrial equipment. LP Group unifies these entities:

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

As of 31 December 2020, LTH US is the parent company in the following entities:

		LP's ownership interest	
Name	**Location**	**2020**	**2019**
Litostroj Engineering, a.s.	Czech Republic	100%	100%
Litostroj Hydro Inc.	Canada	100%	100%

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

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

The number of employees of ENERGO-PRO Industries, s.r.o. Group as of 31 December 2020 and 2019 was 461 and 485, respectively.

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

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

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

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

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

EPas is the parent company of the EP Group of companies which comprises the following entities and their subsidiaries consolidated in these financial statements:

Name	Location	Ownership interest
ENERGO - PRO a.s.	Czechia	parent
MEGAWATT SERVIS s.r.o.	Czechia	100%
JSC Energo - Pro Georgia	Georgia	100%
JSC Energo - Pro Georgia Generation	Georgia	100%
OPPA JSC	Georgia	100%
ENERGO-PRO Bulgaria EAD	Bulgaria	100%
ENERGO-PRO Varna EAD	Bulgaria	100%
Reşadiye Hamzali Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	100%
ENERGO-PRO Güney Elektrik Toptan Satiş Ithalat Ihracat ve Ticaret A.Ş.	Turkey	100%
ENERGO PRO İnşaat Şanyi ve Ticaret A.Ş.	Turkey	100%
ENERGO-PRO Colombia S.A.S	Colombia	100%

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

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

The EP Group has experienced exponential growth over the past several years and became a strong player in acquisitions and operations of hydropower plants above 100 megawatts (MW) of installed capacity. The EP Group continues to look for new investment opportunities, focusing on South-Eastern Europe, the Black Sea region and South America.

List of ENERGO-PRO Group´s power plants as of 31 December 2020 is as follows:

Hydro power plants	**Installed capacity (MW)**
Bulgaria:	
Sandanska Bistritsa Cascade (3 HPPs[1])	56
Pirinska Bistritsa Cascade (2 HPPs[2])	50
Koprinka Cascade (2 HPPs[3])	29
Petrohan Cascade (3 HPPs[4])	17
Ogosta	5
Katunsti	4
Samoranovo	3
Karlukovo	2
Total Bulgaria	**166**
Georgia:	
Shaori-Tkibuli Cascade (2 HPPs[5])	120
Lajanuri	114
Gumati Cascade (2 HPPs[6])	70
Rioni	51
Zahesi	37
Iori Cascade (3 HHPs[7])	27
Chitakhevi	21
Atsi	18
Ortachala	18
Chkhori	6
Kinkisha	1
Total Georgia	**482**
Turkey:	
Hamzali	17
Aralik	12
Resadiye Cascade (3 HPPs[8])	66
Total Turkey	**95**
Gas power plants	
Georgia:	
Gardabani TPP	110
Total Georgia	**110**
Total hydro power plants	**743**
Total gas power plants	**110**
Total installed capacity (hydro + gas-fired plants)	**853**

[1] Sandanski HPP; Popina Laka HPP; Lilyanovo HPP
[2] Spanchevo HPP; Pirin HPP
[3] Koprinka HPP; Stara Zagora HPP
[4] Klisura HPP, Barzia HPP, Petrohan HPP
[5] Shaori HPP; Dzevrula HPP
[6] Gumati I HPP; Gumati II HPP
[7] Sioni HPP; Satskhenisi HPP; Martkopi HPP
[8] Resadiye I; Resadiye II; Resadiye III

The number of EP Group employees as of 31 December 2020 and 2019 was 9,102 and 9,210, respectively.

JSC ENERGO-PRO Georgia (“EPG”)

EPG was incorporated on 31 July 2006 and is domiciled in Georgia. EPG is a joint-stock company limited by shares and was set up in accordance with Georgian legislation.

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

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

EPG’s principal business activity is the distribution of electricity. EPG distributes electricity to all regions of Georgia except for the capital city Tbilisi and covers 85% of Georgian territory. EPG serves more than one million customers through its electricity distribution network.

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

EPG is the parent company in the following entity:

		EPG’s ownership interest	
Name	**Location**	**2020**	**2019**
LLC gPower	Georgia	100%	100%
LLC Zoti Hydro	Georgia	-	100%

LLC gPower (“gPower“) was incorporated on 16 November 2010 and is domiciled in Georgia. gPower signed an agreement with JSC Energy Invest to purchase its operating assets. These operating assets mainly comprise four gas power turbines with an installed capacity of 110 MW and other assets required for electricity generation (Gas Turbine Power Station).

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

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

LLC Zoti Hydro (“Zoti“) was established on 25 November 2008. Zoti’s registered address is No.19 Zurab Anjaparidze Str. 0186 Tbilisi, Georgia. As of the end of 2019, Zoti was a dormant entity. On 11 February 2020, LLC Zoti Hydro was officially liquidated.

The number of employees of EPG as of 31 December 2020 and 2019 was 5,578 and 5,690, respectively.

JSC Energo-Pro Georgia Generation (“EPGG”)

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

EPGG’s principal activity is the generation of electricity via its portfolio of fifteen medium and small size hydro power plants with a total installed capacity of 482 MW.

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

The number of employees of EPGG as of 31 December 2020 and 2019 was 462 and 479, respectively.

JSC OPPA (“OPPA”)

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

OPPA provides a variety of services to companies, commercial establishments and consumers. Such services include maintenance of pay boxes, pay lines, connection of windows and java terminals and other related services. OPPA holds approximately 50% of the market share and is the leading company in the market.

OPPA is the parent company in the following entity:

		OPPA’s ownership interest	
Name	**Location**	**2020**	**2019**
LLC OPPA Commerce	Georgia	100%	100%

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

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

The number of employees of OPPA as of 31 December 2020 and 2019 was 308 and 309, respectively.

ENERGO-PRO Bulgaria EAD (“EPB”)

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

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

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

		EPB’s ownership interest	
Name	**Location**	**2020**	**2019**
Pirinska Bistritsa Energia AD	Bulgaria	26.52% (i)	26.52%
Pirinska Bistritsa Kaskadi EAD	Bulgaria	100%	100%
Uveks Pro EOOD	Bulgaria	-	100%

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

Pirinska Bistritsa Kaskadi EAD (“PBK”) is registered at 2 Pozitano Sq., Floor 5, Sofia 1000, Bulgaria and its main business is management and rent of HPP facilities. Due to EPB restructuring carried out in 2014, HPP facilities were contributed in kind into PBE capital. No special license is required for the rent of own assets.

Uveks Pro EOOD (“Uveks”) is registered at 2 Pozitano Sq., Floor 5, Sofia 1000, Bulgaria. The company was liquidated as of 28 August 2020.

The number of employees of EPB as of 31 December 2020 and 2019 was 128 and 132, respectively.

(i) Pirinska Bistrica Kaskadi EAD holds 73.48 % of PBE’s shares as of 31 December 2020, and 31 December 2019, respectively.

ENERGO-PRO VARNA EAD (“EPV”)

EPV was registered on 12 June 2012 in the Trade register to Registration Agency with UIK 202104220 and permanent address Varna, Varna Towers – E, 258 “Vladislav Varnenchik” Blvd. On 5 July 2016, the parent company ENERGO-PRO VARNA EOOD has been transformed by changing the legal form into a single-shareholder joint-stock company (ENERGO-PRO Varna EAD) on the grounds of Art. 264, para. 1 of the Commerce Act with UIC 204146759. After the transformation, the registered capital of the company is in the amount of BGN 35,791,888 (18,300,102 EUR) divided into 35,791,888 ordinary dematerialized shares with a nominal value of BGN 1.

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

		EPV’s ownership interest	
Name	**Location**	**2020**	**2019**
Electrodistribution North AD	Bulgaria	93.10%	93.10%
ENERGO-PRO Sales AD	Bulgaria	99.73%	99.73%
ENERGO-PRO Energy Services EAD	Bulgaria	100.00%	100.00%
ENERGO-PRO Energy Services EOOD	Bulgaria	-	100.00%
Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş	Turkey	49.00%	-

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

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

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

On 17 February 2020, a transformation was registered in the Commercial Register through the merger of ENERGO-PRO Energy Services EOOD into ENERGO-PRO Trading EAD.

On 21 February 2020, a change in the name of ENERGO-PRO Trading EAD to ENERGO-PRO Energy Services EAD was entered in the Commercial Register, as well as the subject of activity that unites the subject of activity of the two companies. On the same date the representation of the company was changed, and it is represented by every two of the three members of the board of directors. With the previous entries in the Commercial Register, the registered office of the company was changed from the city of Sofia to the city of Varna.

Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş. (“Berta”) is a joint-stock company established on 11 May 2016 in Turkey. The registered address of the company is at Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activity of Berta is the greenfield asset project of 3 HPP’s and dam development in Turkey on the river Berta. During 2020, EPV acquired 49% of the ownership in the related company Berta within the DKHI Group.

The number of employees of the EPV Group as of 31 December 2020 and 2019 was 2,406 and 2,347, respectively.

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

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

The number of employees of RH as of 31 December 2020 and 2019 was 99 and 99, respectively.

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

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

The number of employees of the EPToptan as of 31 December 2020 and 2019 was 8 and 8, respectively.

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

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

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

The number of employees of the EPInsaat as of 31 December 2020 and 2019 was 38 and 72, respectively.

MEGAWATT SERVIS s.r.o. (“MGW”)

MGW is a limited liability company established on 8 December 1994. The registered address is at Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic. The main activities of MGW are a consultancy in hydro energy sector and assembling of hydro-technical facilities.

The number of employees of the MGW as of 31 December 2020 and 2019 was 43 and 41, respectively.

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

EP Colombia is a commercial company of the simplified share type established on 5 June 2019 with the registered address of Carrera 13, No. 90-55, off. 202, Bogota, Colombia. The company’s main activity is focused on the identification of the new hydropower projects in the territory.

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

EP Colombia is the parent company in the following entity:

		EP Colombia’s ownership interest	
Name	**Location**	**2020**	**2019**
GENERADORA CHORRERITAS S.A.S. E.S.P.	Colombia	100%	-

Generadora Chorreritas S.A.S. E.S.P. (“Chorreritas”)

Generadora Chorreritas S.A.S. E.S.P. with registration number: NIT 901.144.893-7 is a commercial company of the Simplified Share type, with the registered address Carrera 43B number 16-95, 9th floor, office 901, Building of the Colombian Chamber of Infrastructure, Medellín, Colombia. In 2020, Chorreritas acquired the public electricity generation license.

(iii) Other subsidiaries of DKHI Group

ENERGO-PRO Czechia s.r.o. (“EPC”)

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

EPC is the parent company of the group of companies, which comprises the following entities:

		EPC’s ownership interest	
Name	**Location**	**2020**	**2019**
Dolnolabské elektrárny a.s.	Czechia	62%	-
ENERGO - PRO MVE, s.r.o.	Czechia	100%	-

Dolnolabské elektrárny a.s. (“DEL”)

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

ENERGO - PRO MVE, s.r.o. (“EPMVE”)

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

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

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

As of 31 December 2020, EPTD is the parent company in the following entity:

		EPTD’s ownership interest	
Name	**Location**	**2020**	**2019**
Bilsev Enerji Üretim VE Ticaret A.S.	Turkey	100%	100%

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

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

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

As of 31 December 2020, EPHD is the parent company in the following entity:

		EPHD’s ownership interest	
Name	**Location**	**2020**	**2019**
Murat Nehri Enerji Üretim A.S.	Turkey	100%	100%

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

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

Berta is a joint-stock company established on 11 May 2016 in Turkey. The registered address of the company is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey. The main activity of Berta is the greenfield asset project of 3 HPP’s and dam development in Turkey on the river Berta.

ENERGO-PRO Green Finance s.r.o. (“EPGF”)

EPGF is a limited liability company established on 3 August 2020. The registered address of the Company is Na poříčí 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the EPGF is 09385801. The main activity of EPGF is the issuance and management of bonds.

Other related companies

PT ENERGO PRO Indonesia (“EP Indonesia”)

EP Indonesia is a joint-stock company established on 15 August 2018 with registered address of Jl. Raya Karang Congok No. 8 Kel. Karang Satria, Indonesia. The company’s main activity is investigation of the new hydropower project possibilities in the territory. As of 31 December 2020, DKHI owns 95% of ownership and PT Solusi Global Sejahtera owns 5% of ownership.

ENERGO-PRO Swiss GmbH (“EP Swiss”)

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

Terestra-Bulgaria EOOD (“Terestra”)

Terestra is a limited liability company established in 2002 under the Bulgarian legislation. The company has one shareholder – Jaromir Tesar. The registered seat and the address of the company is at 100, G.S.Rakovski street, Sofia, Bulgaria. The company’s main activities according to its Articles of Incorporation are the production of electricity from HPPs and others.

TAKEDAKODON, s.r.o. (“Takedakodon”)

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Management assessment of the Impact of COVID-19 pandemic

The management has performed an assessment of the situation with respect to COVID-19 pandemic across the countries in which operates, as well as the ways in which it could affect the performance of the business.

Situation overview and outlook

Situation regarding the COVID-19 pandemic and the relevant government response varies across the countries in which we operate. With the roll-out of vaccines globally the situation is gradually returning to normal. However, a resurgence of infections, including of new variants of the virus, cannot be excluded, which may elicit further government responses and possibly cause a further substantial decline in economic activity.

High-level impact assessment on key business segments

ENERGO-PRO Group: Impact of the COVID-19 pandemic on ENERGO-PRO Group's operations has been relatively limited and temporary so far and varied by geography as well as segment. Results of EPG, for example, were much more severely impacted by the adverse hydrological conditions in Georgia and associated higher free-market electricity prices than by COVID-19. In EPV, lower consumption was compensated in distribution tariffs. Free-market electricity prices in Bulgaria recovered rather quickly following their initial COVID-19-induced drop. In Turkey, most of the generation was still sold under YEKDEM.

Litostroj Power Group (LP): The COVID-19 pandemic has not had a significant impact on the intake of new orders for LP, as no tenders have been postponed or cancelled. LP projects have delivery times in the range 2-5 years and LP does not expect any significant adverse impact of the pandemic on the execution of potential new orders. LP is currently in delay on on-going projects of approx.14 days as a result of the pandemic, primarily due to delayed material deliveries from external suppliers.

Management's mitigation measures taken

DKHI Group's management continues to closely monitor developments in the pandemic, enabling us to respond in a timely manner, thereby minimising health and safety risks and ensuring business continuity. The management will take any measures required in order to mitigate the impact of COVID-19 on the DKHI liquidity. In order to conserve cash, our operating subsidiaries reviewed their planned capex spending in 2020 and 2021 and reduced it where possible. Therefore, we assess the probability of COVID-19-related risks having a significant negative impact on DKHI Group to be low.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

• The contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

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

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

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

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

General approach:

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

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

Simplified approach:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

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

IFRS 16 was adopted by the EU on October 31, 2017 and enters into force on January 1, 2019. The Group has applied a simplified retrospective approach without adjustments for prior periods. As the Group has operating leases, in the capacity of a lessee, in connection with IFRS 16, as of December 31, 2020, the Group reported right of use assets in the amount of EUR 7,483 thousand (31 December 2019: EUR 4,146 thousand). An average interest rate of 4.68% was used for the calculation.

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

(EUR'000)	**31 Dec 20**	**31 Dec 19**
Non-Current Financial Liabilities and Non-Current Liabilities (Note 17 and Note 18)	3,350	1,701
Other Current Liabilities (Note 22)	437	168
Total Lease Liabilities	**3,787**	**1,869**

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

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

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

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

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

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

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

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

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

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

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

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related parties. For the purposes of these financial statements all shareholders, their associated and subsidiary companies, managers and members of the management bodies, as well as their family members are treated as related parties. In the ordinary course of business the Group enters into related parties transactions. Detailed information for these transactions is presented in Note 5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Revenue from sale of electricity

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

(b) Revenue from sales of services

Revenue from sales of services compromise of the following services:

- Connection fees - consists of charges received from customers and recognised immediately at the time of initial connection (without fixed period) to the electricity network system

- Other – such as charges to reconnect customers, checking of electrical devices and other.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Revenue from customer contracts

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

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

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

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

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

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

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

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

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

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

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

(e) Interest income

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

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

(f) Financial income under a corporate guarantee contract

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

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

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

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

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

(a) Defined contribution retirement plan

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

(b) Defined benefit obligations

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

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

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

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use or fair value less cost to sell calculations. These calculations require the use of estimates as further detailed in Note 7.

Initial recognition of related party transactions. In the normal course of business, the Group enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 5.

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

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

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

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

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

(a) Grid access fee provision

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

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

(b) Provision for legal claims

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

c) Provision for energy efficiency

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

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

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

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

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

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

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

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

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

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

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020.

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

IFRS 16 Covid-19 Related Rent Concessions

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

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

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

IFRS 3 Business combinations (Amendments): Definition of a Business

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These amendments had no impact on the financial statements of the Group.

Interest Rate Benchmark Reform - IFRS 7, IFRS 9 and IAS 39 (Amendments)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). These amendments have no impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These amendments have no impact on the financial statements of the Group.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. These amendments have no impact on the financial statements of the Group.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

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

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

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

The amendments have not yet been endorsed by the EU. These amendments are expected to have no impact on the financial statements of the Group.

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

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. These amendments are expected to have no impact on the financial statements of the Group.

The Group does not expect early adoption of any of the above-mentioned standards, improvements or amendments.

5. Balances and Transactions with Related Parties

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

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

(EUR'000)	Note	Shareholder	Entities under common control
Other liabilities to shareholder	22	44,590	-

As of 31 December 2019, the outstanding balances with related parties were as follows:

(EUR'000)	Note	Shareholder	Entities under common control
Other liabilities to shareholder	22	199,195	-

In 2018, the Company capitalised 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. In 2020, the owner of the company decided to capitalize EUR 150,000 thousand.

6. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Right of use	Other fixed assets	Total
Cost or valuation							
1 January 2019	**152,137**	**689,549**	**22,602**	**260,985**	**-**	**14,065**	**1,139,338**
Reclassification	342	(97)	27	620	1,204	530	2,626
Additions (+)	292	20,481	3,781	269,067	3,210	4,935	301,766
Transfers (+/-)	9,552	36,732	975	(47,257)	-	(2)	-
Disposals (-)	(112)	(10,405)	(1,345)	(760)	(239)	(1,802)	(14,663)
Difference in rate of exchange	(2,784)	(17,020)	(800)	(30,219)	(29)	(262)	(51,114)
31 December 2019	**159,427**	**719,240**	**25,240**	**452,436**	**4,146**	**17,464**	**1,377,953**
Reclassification	30	6,722	26	(141)	-	1,276	7,913
Additions (+)	692	15,610	2,174	136,784	4,195	713	160,168
Transfers (+/-)	343,654	68,922	179	(412,966)	-	211	-
Disposals (-)	(204)	(4,538)	(618)	(445)	(434)	(152)	(6,391)
Difference in rate of exchange	(52,838)	(80,115)	(4,113)	(71,939)	(424)	(1,112)	(210,541)
31 December 2020	**450,761**	**725,841**	**22,888**	**103,729**	**7,483**	**18,400**	**1,329,102**
Accumulated depreciation							
1 January 2019	**(47,137)**	**(301,918)**	**(13,670)**	**30**	**-**	**(5,678)**	**(368,373)**
Reclassification	-	(52)	(20)	-	-	32	(40)
Charge for the year (-)	(4,459)	(39,724)	(2,668)	(17)	(1,389)	(1,584)	(49,841)
Disposals (+)	67	8,850	1,102	1	70	1,756	11,846
Impairment loss (-)/Reversal of impairment (+)	357	-	-	-	-	-	357
Difference in rate of exchange	936	5,528	359	1	10	28	6,862
31 December 2019	**(50,236)**	**(327,316)**	**(14,897)**	**15**	**(1,309)**	**(5,446)**	**(399,189)**
Reclassification	(5)	(6,674)	-	-	-	(1,276)	(7,955)
Charge for the year (-)	(6,026)	(40,071)	(2,630)	(13)	(1,403)	(2,235)	(52,378)
Disposals (+)	32	4,047	498	2	22	95	4,696
Impairment loss (-)/Reversal of impairment (+)	218	-	-	-	-	-	218
Difference in rate of exchange	5,288	26,360	2,021	8	154	147	33,978
31 December 2020	**(50,729)**	**(343,654)**	**(15,008)**	**12**	**(2,536)**	**(8,715)**	**(420,630)**
Net book value							
31 December 2019	**109,191**	**391,924**	**10,343**	**452,451**	**2,837**	**12,018**	**978,764**
31 December 2020	**400,032**	**382,187**	**7,880**	**103,741**	**4,947**	**9,685**	**908,472**

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

Based on the review for impairment of PPE, the Group's management has not established indicators that the carrying amount of assets exceeds their recoverable amount.

7. Goodwill

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

(EUR'000)	31 Dec 19	Acquisitions/ Disposals	Exchange differences	Impairment loss	31 Dec 20
DK Holding Investments Group (i)	13,585	-	-	-	13,585
ENERGO-PRO Group (ii)	61,645	(13)	(6,795)	-	54,837
Total carrying amount	**75,230**	(13)	(6,795)	-	**68,422**

(EUR'000)	31 Dec 18	Acquisitions/ Disposals	Exchange differences	Impairment loss	31 Dec 19
DK Holding Investments Group (i)	13,585	-	-	-	13,585
ENERGO-PRO Group (ii)	63,573	-	(1,928)	-	61,645
Total carrying amount	**77,158**	**-**	**(1,928)**	**-**	**75,230**

Goodwill tables above are comprising from:

(i) DK Holding Investments Group

(a) Berta Goodwill

(EUR'000)	2020	2019
Gross book value at 1 January	3,535	3,535
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**3,535**	**3,535**
Exchange differences	-	-
Gross book value at 31 December	3,535	3,535
Impairment loss	-	-
Carrying amount at 31 December	**3,535**	**3,535**

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

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

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

	2020	2019
Annual growth rate beyond twenty years	1.9% p.a.	1.0% p.a.
Pre-tax discount rate	9.8% p.a.	9.6% p.a.

(b) DEL Goodwill

(EUR'000)	2020	2019
Gross book value at 1 January	10,050	10,050
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**10,050**	**10,050**
Exchange differences	-	-
Gross book value at 31 December	10,050	10,050
Impairment loss	-	-
Carrying amount at 31 December	**10,050**	**10,050**

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

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

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

	2020	2019
Annual sales growth	2.0% p.a.	2.0% p.a.
Pre-tax discount rate	6.4% p.a.	4.2% p.a.

(ii) ENERGO–PRO Group

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

(EUR'000)	31 Dec 2019	Acquisitions/ Disposals	Exchange differences	Impairment loss	31 Dec 2020
EPB (a)	24,862	(13)	-	-	24,849
EPGG (b)	21,486	-	(4,346)	-	17,140
RH (c)	9,020	-	(2,360)	-	6,660
OPPA (d)	5,836	-	-	-	5,836
EPG (e)	441	-	(89)	-	352
Total carrying amount of goodwill	**61,645**	**(13)**	**(6,795)**	**-**	**54,837**

(a) EPB Goodwill

(EUR'000)	31 Dec 2020	31 Dec 2019
Gross book value at 1 January	24,862	24,862
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**24,862**	**24,862**
Acquisitions/ Disposals	(13)	-
Exchange differences	-	-
Gross book value at 31 December	24,849	24,862
Impairment loss	-	-
Carrying amount at 31 December	**24,849**	**24,862**

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

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

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

	2020	2019
Annual sales growth	5.7% p.a.	5.7% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.

(b) EPGG Goodwill

(EUR'000)	31 Dec 2020	31 Dec 2019
Gross book value at 1 January	21,486	22,462
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**21,486**	**22,462**
Exchange differences	(4,346)	(976)
Gross book value at 31 December	17,140	21,486
Impairment loss	-	-
Carrying amount at 31 December	**17,140**	**21,486**

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

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

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

	2020	2019
Annual sales growth	15.4% p.a.	7.9% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.
Discount rate	15.4% p.a.	13.4% p.a.

(c) RH Goodwill

(EUR'000)	31 Dec 2020	31 Dec 2019
Gross book value at 1 January	9,020	9,952
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**9,020**	**9,952**
Exchange differences	(2,360)	(932)
Gross book value at 31 December	6,660	9,020
Impairment loss	-	-
Carrying amount at 31 December	**6,660**	**9,020**

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

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

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

	2020	2019
Discount rate	16.4% p.a.	17.3% p.a.
Growth rate beyond ten years	1.0% p.a.	0.0% p.a.
Annual sales growth within the ten years	3.0% p.a.	0.0% p.a.

(d) OPPA Goodwill

(EUR'000)	31 Dec 2020	31 Dec 2019
Gross book value at 1 January	5,836	5,836
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**5,836**	**5,836**
Exchange differences	-	-
Gross book value at 31 December	5,836	5,836
Impairment loss	-	-
Carrying amount at 31 December	**5,836**	**5,836**

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

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

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

	2020	2019
Discount rate	16.7% p.a.	13.4% p.a.
Growth rate beyond three years	3% p.a.	3% p.a.

(e) EPG Goodwill

(EUR'000)	31 Dec 2020	31 Dec 2019
Gross book value at 1 January	441	461
Accumulated impairment losses at 1 January	-	-
Carrying amount at 1 January	**441**	**461**
Exchange differences	(89)	(20)
Gross book value at 31 December	352	441
Impairment loss	-	-
Carrying amount at 31 December	**352**	**441**

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

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

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

	2020	2019
Annual sales growth	6.5% p.a.	4.3% p.a.
Growth rate beyond three years	1.0% p.a.	1.0% p.a.
Discount rate	15.4% p.a.	13.4% p.a.

8. Intangible Assets

Movements in the carrying amount of intangible assets in the year 2020 and 2019 were as follows:

(EUR'000)	Electricity generation licenses	Software	Customer list	R&D	Assets under construction	Other	Total
Cost or valuation 1 January 2020	**48,645**	**5,014**	**22,920**	**5,005**	**234**	**1,198**	**83,016**
Reclassification	(573)	541	-	-	1	23	(8)
Additions (+)	555	143	-	-	6	386	1,090
Transfers (+/-)	148	87	-	-	(235)	-	-
Disposals (-)	(6)	(30)	(3,762)	-	-	(45)	(3,843)
Difference in rate of exchange	(9,101)	(236)	-	(2)	-	(249)	(9,588)
31 December 2020	**39,668**	**5,519**	**19,158**	**5,003**	**6**	**1,313**	**70,667**
Accumulated depreciation 1 January 2020	**(13,587)**	**(2,784)**	**(22,762)**	**(3,464)**	**-**	**(505)**	**(43,102)**
Reclassification	529	(497)	-	-	-	(20)	12
Charge for the year (-)	(1,037)	(332)	(53)	(336)	-	(123)	(1,881)
Disposals (+)	6	29	3,760	-	-	26	3,821
Impairment loss (+/-)	-	-	-	-	-	-	-
Difference in rate of exchange	2,032	144	-	-	-	82	2,258
31 December 2020	**(12,057)**	**(3,440)**	**(19,055)**	**(3,800)**	**-**	**(540)**	**(38,892)**
Net Book Value 31 December 2020	**27,611**	**2,079**	**103**	**1,203**	**6**	**773**	**31,775**

(EUR'000)	Electricity generation licenses	Software	Customer list	R&D	Assets under construction	Other	Total
Cost or valuation 1 January 2019	**52,065**	**4,804**	**22,920**	**4,944**	**214**	**1,122**	**86,069**
Reclassification	24	20	-	-	(25)	(56)	(37)
Additions (+)	125	192	-	-	163	195	675
Transfers (+/-)	10	51	-	58	(119)	-	-
Disposals (-)	(18)	(2)	-	(4)	-	(4)	(28)
Difference in rate of exchange	(3,561)	(51)	-	7	1	(59)	(3,663)
31 December 2019	**48,645**	**5,014**	**22,920**	**5,005**	**234**	**1,198**	**83,016**
Accumulated depreciation 1 January 2019	**(13,086)**	**(2,425)**	**(17,805)**	**(3,099)**	**-**	**(456)**	**(36,871)**
Reclassification	(20)	(20)	-	-	-	71	31
Charge for the year (-)	(1,225)	(361)	(544)	(363)	-	(136)	(2,629)
Disposals (+)	17	2	-	3	-	-	22
Impairment loss (+/-)	-	-	(4,409)	-	-	-	(4,409)
Difference in rate of exchange	727	20	(4)	(5)	-	16	754
31 December 2019	**(13,587)**	**(2,784)**	**(22,762)**	**(3,464)**	**-**	**(505)**	**(43,102)**
Net Book Value 31 December 2019	**35,058**	**2,230**	**158**	**1,541**	**234**	**693**	**39,914**

According to the provisions of IAS 36 Impairment of assets at the end of each reporting period impairment test is carried out as to establish whether there is any indication that an individual asset of the intangible assets may be impaired. If there is any indication that an asset may be impaired, recoverable amount and the impairment loss shall be estimated for the individual asset. The Group has a fully amortized intangible asset that is still in use in the amount of EUR 19,055 thousand as of 31 December 2020 (31 December 2019: EUR 22,762 thousand).

Since 1 January 2019, renewable energy producers in Bulgaria must sell their output directly on an independent energy exchange. Since August 1, 2019, the same changes were also applied to HPPs with installed capacity between 1-4 MW. As a result, EPB reduced the remaining electricity purchase contracts at preferential prices related to these HPPs. As of 31 December 2019, the EPB recognised that the intangible assets associated with these contracts amounted to EUR 4,409 thousand of electricity sales contracts for HPP with an installed capacity of 1-4 MW. As per the regulatory changes described above, such contracts could not be applied from 1 August 2019 onwards. Management of EPB agreed that contracts should be impaired in respect of changes in regulations.

Except for the impairment above, as of 31 December 2020 and 31 December 2019 no indicators have been established that the carrying amount of intangible assets exceeds their recoverable amount and as a result, no impairment loss has been recognised in the financial statements.

9. Non-current and Current Issued Loans

(EUR'000)	31 Dec 2020	31 Dec 2019
Non-current portion of issued loans:		
Bank deposits	1,248	1,612
Other	357	288
Total non-current portion of issued loans	**1,605**	**1,900**
Current portion of issued loans:		
Taurus Konsult EOOD	577	370
Terestra Bulgaria	207	199
Other	473	143
Total current portion of issued loans	**1,257**	**712**
Total issued loans	**2,862**	**2,612**

Movements in issued loans were as follows:

As at 1 January	**2,612**	**1,226**
Interest income accrued during the year (+)	245	22
Loans issued during the year (+)	574	2,132
Principal repayments (-)	(273)	(926)
Interest received during the year (-)	(52)	-
Exchange rate difference	(244)	158
As at 31 December	**2,862**	**2,612**

10. Non-current Financial Assets

(EUR'000)	31 Dec 2020	31 Dec 2019
Restricted bank deposit (i)	1,227	6,408
Other	1,643	1,632
Total non-current financial assets	**2,870**	**8,040**

(i) The bank deposits of RH, Murat and EP Toptan as at 31 December 2020 and 31 December 2019 are pledged for guarantee letters given to electricity distribution companies, to Energy Market Regulatory Authority (''EMRA'') and to the banks.

11. Inventories

(EUR'000)	31 Dec 2020	31 Dec 2019
Work in progress	13,195	16,939
Prepayments for inventories	5,407	9,874
Material and raw material	4,283	3,194
Electrical equipment	3,509	3,517
Cables and wires	2,786	3,166
Spare parts	1,776	1,198
Tools and bolts	1,383	1,527
Inventory related to Paybox Installation	562	905
Scrap & Damaged Inventory	507	722
Other	2,179	2,948
Less: provision for obsolete and slow-moving inventories	(2,046)	(1,801)
Total inventories	**33,541**	**42,189**

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

Movements in inventories were as follows:

(EUR'000)	2020	2019
As at 1 January	**42,189**	**30,443**
Purchase of inventories (+)	32,066	21,276
Own production of inventories (+)	2,065	1,384
Payment of prepayments for inventories (+)	4,973	15,743
Inventory differences (+/-)	1,325	3,353
Capitalisation of inventories (-)	(15,205)	(13,421)
Use of prepayments for inventories (-)	(12,654)	(6,776)
Sale of inventories (-)	(22,333)	(8,942)
Exchange rate difference	(1,413)	(1,101)
Impairment for inventories - additions (-) / release (+)	2,528	230
As at 31 December	**33,541**	**42,189**

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

12. Trade and Other Receivables

(EUR'000)	31 Dec 2020	31 Dec 2019
Distribution to commercial sector	24,603	60,922
Distribution to households	24,006	53,773
Short-term account receivable	19,360	24
Receivables from transmission	2,303	5,435
Receivables from export sales	1,729	1,979
Receivables from electricity trading	1,561	-
Rent deposit	80	82
Other trade receivables	6,500	4,724
Less: provision for impairment	(11,868)	(18,686)
Total trade receivables	**68,274**	**108,253**
Guarantee deposits	4,218	2,780
Restricted bank deposit	594	84
Deposits granted	28	1,877
Other	610	635
Total trade and other receivables	**73,724**	**113,629**

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

(EUR'000)	2020	2019
Provision for impairment at the beginning of the period	**18,686**	**15,802**
Impairment charge (+)	1,933	6,084
Reversal of impairment during the year (-)	(5,498)	(2,801)
Amounts written off during the year as uncollectible (-)	(2,485)	(192)
Exchange rate difference	(768)	(207)
Provision for impairment at the end of the period	**11,868**	**18,686**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	31 Dec 2020	31 Dec 2019
Total neither past due not impaired:	**44,855**	**98,589**
Past due but not impaired		
- less than 30 days overdue	7,403	3,887
- 31 to 90 days overdue	10,123	1,533
- 91 to 180 days overdue	812	970
- over 181 days overdue	5,089	4,171
Total past due not impaired	**23,427**	**10,561**
Past due and impaired		
- current and impaired	18	1,762
- less than 30 days overdue	27	702
- 31 to 90 days overdue	252	934
- 91 to 180 days overdue	222	843
- over 181 days overdue	11,341	13,548
Total past due and impaired	**11,860**	**17,789**
Less: provision for impairment	(11,868)	(18,686)
Total current trade receivables, net	**68,274**	**108,253**

13. Cash and Cash Equivalents

(EUR'000)	31 Dec 2020	31 Dec 2019
Cash on hand	69	44
Cash with banks:		
- GEL denominated	7,942	5,776
- EUR denominated	30,753	113,692
- BGN denominated	1,878	4,252
- USD denominated	2,653	1,842
- CZK denominated	5,842	4,641
- TRY denominated	5,421	316
- CAD denominated	1,038	1,993
- Other currencies denominated	1,190	626
Total cash and cash equivalents	**56,786**	**133,182**
- of which EUR denomited Restricted cash (i)	15,910	99,576

(i) This amount represents the cash proceeds of ALPASLAN-II Project financing (Note 20) held in a segregated account of Murat Nehri with HSBC Bank London. The release of this cash is subject to a number of conditions and its use is restricted to funding expenses relating to the construction of the ALPASLAN-II Project.

14. Other Current Assets

(EUR'000)	31 Dec 2020	31 Dec 2019
Value-added tax ("VAT") receivables (i)	19,363	11,180
Deferred VAT ((ii)	9,121	8,474
Advance payments (i)	5,799	15,660
Prepaid insurance	2,766	2,367
Deferred expenses	453	760
Other	1,670	1,705
Total other current assets	**39,172**	**40,146**

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

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

15. Share Capital

The Company has authorized share capital of EUR 7 thousand (CZK 200 thousand) as of 31 December 2020, and as of 31 December 2019.

16. Retained Earnings (Losses) and Other Reserves

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

The item Retained Earnings (Losses) as of 31 December 2020 includes EUR 21,978 thousand related to a capitalisation of 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. (Note 22)

17. Non-current Financial Liabilities

(EUR'000)	31 Dec 2020	31 Dec 2019
Financial lease liabilities	3,350	806
Other	633	641
Total non-current financial liabilities	**3,983**	**1,447**

18. Other Non-current Liabilities

(EUR'000)	31 Dec 2020	31 Dec 2019
Long-term liabilities arising from the acquisition of the company EPas (i)	8,002	7,657
Government grants (ii)	1,313	1,750
Lease liabilites	-	895
Other	1,816	1,677
Total other non-current liabilities	**11,131**	**11,979**

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

In 2018, the Company capitalised 'Liability arising from the acquisition' owed to its 100% owner under the share purchase agreement pursuant to which the Company acquired the shares of EPas in 2016, as a result of an amendment of the share purchase agreement. (Note 16, 22)

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

19. Non-current and Current Provisions

Analysis of the provisions:

(EUR'000)	31 Dec 2020	31 Dec 2019
Non-current:		
Grid access fee provision (a)	3,677	5,308
Retirement benefits (d)	4,553	4,421
Provisions for guarantees given (g)	1,695	2,216
Other non-current provisions (c)	1,084	1,626
Total Non-current Provisions	**11,009**	**13,571**
Current:		
Legal claims (b)	4,170	7,320
Energy effectiveness (e)	777	746
Retirement benefits (d)	642	686
Provision of restructuring (f)	-	30
Other (c)	2,675	718
Total Current Provisions	**8,264**	**9,500**
Total Provisions	**19,273**	**23,071**

The movement of the provisions is as follows:

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

(EUR'000)	Grid access fee	Legal claims (i)	Provision of restructuring	Energy effectiveness	Retirement benefits	Provision for guarantees given	Other	Total
At 31 December 2018	**5,698**	**10,509**	**1,366**	**5**	**3,808**	**1,962**	**1,260**	**24,608**
Reclassification/Restated	-	-	-	-	4	-	(3)	1
Paid	-	(170)	(832)	-	(400)	(342)	(424)	(2,168)
Accrued	-	3,930	-	746	722	792	1,923	8,113
Financial expense	(156)	-	-	-	-	-	-	(156)
Reversed	(234)	(6,821)	(504)	(5)	-	(200)	(363)	(8,127)
Actuarial loss/ (profit)	-	-	-	-	932	-	-	932
Difference in rate of exchange	-	(128)	-	-	41	4	(49)	(132)
At 31 December 2019	**5,308**	**7,320**	**30**	**746**	**5,107**	**2,216**	**2,344**	**23,071**

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

(a) Grid access fee provision

EPV

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

(b) Provision for legal claims

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

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

(c) Provision for energy effectiveness

As of 31 December 2020, and 31 December 2019, EPRES and EPRS are included in the list of the companies obliged under the Energy Efficiency Act and are assigned individual targets for energy savings. The Group recognises a provision in respect of its obligation to meet these individual targets. Management of the companies evaluated the implementation of the set individual and cumulative energy savings targets.

Key assumptions used to calculate energy efficiency provisions:

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

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

-

(d) Provision for other obligations

- Provision for unused paid leaves

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

(e) Retirement benefits

- Benefits at retirement for illness

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

The principal actuarial assumptions are as follows:

	2020	**2019**
Discount rate	1.0%	1.0%
Future salary increases	0.0%	0.0%

Rates of employee turnover and early illness retirement

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

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

Personnel degree of withdrawal in age groups

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

Demographic assumptions about the future characteristics of employees

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

- Interest rate for determining the discount factor

For the purpose of discounting is used effective annual interest rate in the amount of 1.00 % (2019: 1.00 %). It is based on the yield on government securities with a 10-year maturity in line with the recommendations of paragraph 83 of IAS 19. Given that the average time until retirement is more than 10 years, the actuary has determined the effective annual discount rate by extrapolation of the data for the effective annual yield of government bonds, following the regulations of paragraph 86 of IAS 19. During the year 2020, The Group used the services of several construction subcontractors. The Group identified the potential business issues with the potential financial impact. The Group recognised the provision in the amount of EUR 1,784 thousand as of 31 December 2020.

- Wage growth in the coming years

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

2020 – 0% compared to the level in 2019;
2020 – 2021 – 0% compared to the level in previous year;
2022 and the following – 1% compared to the level in previous year.

(f) Provision of restructuring

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

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

g) Provisions for guarantees given

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

20. Non-current and Current Borrowings

Compliance with covenants. The Group is subject to certain covenants related to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with the covenants as of 31 December 2020 and as of 31 December 2019.

(EUR'000)	**31-Dec-20**	**31-Dec-19**
Non-Current portion of borrowings:		
Issued Bonds (i)	643,942	622,606
ALPASLAN-II PROJECT FINANCE (Turkey) (v)	154,618	166,809
AKBANK (Turkey) (iv)	87,092	103,467
UniCredit Bank Czech Republic & Slovakia (Czech Republic) (ii)	36,887	40,454
Banka CREDITAS, a.s. (Czech Republic) (iii)	10,858	5,903
Komerční banka, a.s. (Czech Republic) (vii)	9,981	10,830
Credit Guarantee Fund	1,778	1,311
AKLease (Turkey)	787	2,175
VTB Bank Georgia	493	-
Other	74	118
Total non-current portion of borrowings	**946,510**	**953,673**
Current portion of borrowings:		
AKBANK (Turkey) (iv)	22,415	17,535
Raiffeisenbank EAD (Bulgaria) (viii)	18,352	7,330
Sberbank CZ, a.s. (Czech Republic) (vi)	11,500	6,500
ALPASLAN-II PROJECT FINANCE (Turkey) (v)	18,028	4,378
Unicredit Bulbank EAD (Bulgaria)	8,324	-
Banka CREDITAS, a.s. (Czech Republic) (iii)	3,810	3,935
UniCredit Bank Czech Republic & Slovakia - guarantee (Czech Republic)	3,000	-
SID banka d.d. (Slovenia)	934	1,050
Komerční banka, a.s. (Czech Republic)	770	770
AKLease (Turkey)	521	311
Credit Guarantee Fund	434	574
Banque Nationale du Canada (Canada - Quebec)	132	162
Sberbank d.d. (Slovenia)	-	3,000
Banka DSK EAD (Bulgaria)	-	1,963
ZEL-EN d.o.o. (Slovenia)	-	112
Other	97	193
Total current portion of borrowings	**88,317**	**47,813**
Total borrowings	**1,034,827**	**1,001,486**

(i) Issued Bonds

Issued Bonds	31 Dec 2020	31 Dec 2019
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	974	974
Unrealised costs	(2,576)	(3,831)
Carrying amount of 4% Notes due 2022	**368,398**	**367,143**
4.5% Notes due 2024		
Principal	250,000	250,000
Accrued Interest	7,428	7,428
Unrealised costs	(1,792)	(1,965)
Carrying amount of 4.5% Notes due 2024	**255,636**	**255,463**
6.5% Notes due 2023		
Principal	20,194	-
Accrued Interest	219	-
Unrealised costs	(505)	-
Carrying amount of 6.5% Notes due 2023	**19,908**	**-**
Total carrying amount of issued bonds	**643,942**	**622,606**

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

The effective interest rate was calculated at 4.38%. The carrying value of these bonds as at 31 December 2020 was EUR 368,398 thousand (EUR 367,143 thousand as at 31 December 2019).

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

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

The effective interest rate was calculated at 4.74%. The carrying value of these bonds as at 31 December 2020 was EUR 255,636 thousand (EUR 255,463 thousand as at 31 December 2019).

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

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

6.5% Notes due 2023

On 30 October 2020, the company EPGF issued bonds (ISIN: CZ0003527749) with a total face value of CZK 530 million (EUR 20.2 million) with the possibility of an increase of 100% in the expected total face value of the bond issue to CZK 1,060 million (EUR 40.4 million), the issued bonds have maturity of 3 years and a fixed coupon of 6.5% p.a. The bonds have been admitted to trading on the regulated market of the Prague Stock Exchange. The issue price of the bonds 100% of nominal value.

The effective interest rate was calculated at 8.59%. The carrying value of these bonds as at 31 December 2020 was EUR 19,908 thousand.

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

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

On 7 May 2021, the company EPGF increased the 6.5% Notes due 2023 (ISIN: CZ0003527749) (Note 20) by another CZK 530 milion (EUR 20.2 million) bond issue. The total face value of issued bonds is CZK 1,060 million (EUR 40.4 million) as of the issuance of these financial statements. The issued bonds still have maturity of 3 years and a fixed coupon of 6.5% p.a. The bonds have been admitted to trading on the regulated market of the Prague Stock Exchange. The issue price of the bonds 100% of nominal value.

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

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
UniCredit Bank Czech Republic and Slovakia, a.s.	CZK	Term loan	36,887	29-March-2029

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

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

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
Banka CREDITAS, a.s.	CZK	Term loan	14,668	30-June-2022

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

(iv) AKBANK (Bilsev)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
AKBANK	USD	Term loan	109,507	December-2026

On 29 June 2016, Bilsev and AKBANK signed a facility agreement with respect to a USD 166,000 thousand loan. The facility was provided for the construction of the Karakurt dam and related HPP. In February 2019, the amount of the facility was reduced from USD 166,000 thousand to USD 141,000 thousand.

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

Lenders	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., acting in a fiduciary capacity, and Česká exportní banka a.s.	EUR	Term loan	172,646	December-2030

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

(vi) Sberbank CZ, a.s. (EPas)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
Sberbank CZ, a.s.	EUR	Revolving credit facility	11,500	February-2021

On 11 December 2018, EPas and Sberbank CZ, a.s. signed a revolving credit facility agreement with respect to a EUR 10,000 thousand loan. The facility was provided for general corporate purposes.

In April 2020, the amount of the facility was increased from EUR 10,000 thousand to EUR 12,000 thousand.

(vii) Komerční banka, a.s. (EP MVE)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
Komerční banka, a.s.	CZK	Term loan	9,981	December-2033

On 26 February 2019, EP MVE and Komerční banka, a.s. signed a facility agreement with respect to a CZK 280,000 thousand loan. The facility was used to fund a recapitalisation of EP MVE.

(viii) Raiffeisenbank EAD (EPV)

Lender	Original currency	Facility type	Outstanding balance as at 31 Dec 2020 (EUR ´000)	Final maturity Date
Raiffeisenbank EAD	BGN	Revolving credit facility	18,352	December-2021

On 19 December 2019, EPES and Raiffeisenbank EAD signed a facility agreement with respect to a BGN 30,000 thousand loan. The facility was provided for general corporate purposes.

Other borrowings

Remaining loans not described above are primarily associated with the LP Group. These credits are mainly used for operational financing. These credits are secured by mortgage on property, pledge of receivables and inventories of LP Group (please find details in Note 28).

21. Trade and Other Payables

(EUR'000)	31 Dec 2020	31 Dec 2019
Trade payables	120,876	120,045
Deposits	3,046	930
Payables for legal disputes	914	921
Other	1,690	5,288
Total trade and other payables	**126,526**	**127,184**

22. Other Current Liabilities and Other Current Liabilities to Shareholder

Other current liabilities

(EUR'000)	31 Dec 2020	31 Dec 2019
Payable to personnel	10,578	6,980
Taxes payable	6,668	4,047
Accrued costs and expenses	1,774	937
Deferred expenses	1,429	179
Lease liabilities	437	168
Advances received	432	29
Other	1,728	2,467
Total other current liabilities	**23,046**	**14,807**

Other Current Liabilities to Shareholder

Other current liabilities to the shareholder amounting to EUR 44,590 thousand as of 31 December 2020 (31 December 2019: EUR 199,195 thousand) are liabilities to the owner of the company, Mr. Jaromir Tesar. Liabilities to the shareholder of the company have a flexible date of maturity, and their repayment is not planned in the following year 2021 (Note 16). In 2020, the owner of the company decided to capitalize EUR 150,000 thousand.

23. Service Expenses

(EUR'000)	2020	2019
Technological losses of electricity	(22,950)	(30,665)
Repairs and maintenance	(6,626)	(6,494)
Production services	(6,230)	(3,742)
Dispatch and transmission	(6,072)	(5,506)
Commissions	(5,463)	(6,178)
Security expense	(3,503)	(2,832)
Insurance expense	(3,395)	(4,090)
Rent expense	(2,764)	(2,876)
Professional service fees	(1,131)	(3,248)
Encashment fee	(1,941)	(2,010)
One-off connection fee to ESO	(1,161)	(726)
Transportation and forwarding	(638)	(916)
Travel expenses	(525)	(1,040)
Bank charges	(501)	(659)
Non-manufacturing services	(133)	(1,041)
Other	(7,546)	(4,908)
Total service expenses	**(70,579)**	**(76,931)**

24. Other Operating Expenses

(EUR'000)	2020	2019
Business trip expenses	(7,436)	(7,811)
GNERC regulatory expense	(1,375)	(1,337)
Operating bank fees	(1,328)	-
Court expenses	(757)	(504)
Net change of impairment allowance of assets and trade receivables and bad debt write-off	(624)	(2,997)
Office supplies consumed	(497)	(453)
Other	(5,625)	(5,535)
Total other operating expenses	**(17,642)**	**(18,637)**

25. Finance Costs – Net

(EUR'000)	2020	2019
Net foreign exchange losses (i)	(111,873)	-
Interest expense from bank borrowings (ii)	(42,568)	(5,275)
Interest expenses bonds	(27,623)	(27,950)
Prolongation fees on factored payables	(3,918)	(1,780)
Other finance costs	(2,164)	(537)
Fees from loans and other	(583)	(1,791)
Insurance expense	(283)	(41)
Interest expense on lease liabilities	(207)	(88)
Finance costs	**(189,219)**	**(37,462)**
Other financial income	3,337	1,017
Net foreign exchange gains	-	821
Interest income on issued loans	41	27
Interest income on deposit account	115	90
Interest income on cash and cash equivalents	192	212
Finance income	**3,685**	**2,167**
Net finance costs	**(185,534)**	**(35,295)**

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

(ii) The year-on-year increase is linked IAS 23 to the companies Bilsev and Murat.

26. Other Income (Expenses)

(EUR'000)	2020	2019
Revenue from customers for reconstruction of network and provision for requested capacity	4,418	-
Subsidies and grants	1,847	3,392
Gains less losses on disposal of PPE and Intangible assets	777	99
Surplus from inventory and PPE counts	770	1,966
Income from insurance claims	397	984
Income from penalties and fines	305	698
Rental income	59	1,361
Other income	3,346	3,919
Total other income	**11,919**	**12,419**

27. Income Taxes

(a) Components of income tax expense

The income tax expense comprises the following:

(EUR'000)	2020	2019
Current tax	(4,796)	(6,491)
Deferred tax	10,996	(2,857)
Income tax expense for the year	**6,200**	**(9,348)**

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

(EUR'000)	2020	2019
(Profit)/Loss before tax	131,926	(43,176)
Tax at statutory tax rate (ii)	25,066	(8,203)
Effect of different tax rates in individual jurisdictions (iii)	(27,294)	3,929
Effective tax rate (i)	5%	22%
Current tax:		
Investment allowance used (previously unrecognised)	(386)	(133)
Deduction of tax loss - deferred tax asset was not recognized	-	(72)
Income tax paid in other countries (+)	78	399
Additional tax payments (+) / refund (-)	7	(134)
Deferred tax:		
Deduction of tax loss	514	697
Effect of the changes in tax rates	-	1
Effect of the different % used to calculate DT	2,878	-
Adjustments to deferred tax attributable to changes in tax rates and laws	(550)	(352)
Effect of written of DTL	(822)	-
Effect of not recognized deferred tax asset	13,902	(224)
Non-tax expenses (+) / income (-) from which deferred tax isn't calculated:		
Net value of non-current tangible/intangible assets	-	(65)
Increase (+)/release (-) of trade receivables impairment	74	85
Increase (+) / release (-) provisions	369	(96)
Interest income (-) / expense (+)	32	-
Other non-deductible expenses (+) / income (-)	4,998	5,313
Hypothetical tax on non-tax expenses and income	**5,473**	**5,237**
= Calculated income tax expense	**(6,200)**	**9,348**

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

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

(iii) Individual countries in which the Group operates have different enacted tax rates; i.e. the Czech Republic 19%, Bulgaria 19%, Georgia 0% subject to distribution of profit outside the Georgia, Turkey 20%, Slovenia 19% (31 December 2019: the Czech Republic 19%, Bulgaria 19%, Georgia 0% subject to distribution of profit outside the Georgia, Turkey 22%, Slovenia 19%).

(b) Deferred taxes

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

EUR'000	2020	2019
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	12,027	5,397
- Deferred income tax asset to be recovered within 12 months	2,280	761
Deferred income tax assets	**14,307**	**6,158**
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(6,374)	(8,476)
- Deferred income tax liability to be recovered within 12 months	(846)	(499)
Deferred tax liabilities	**(7,220)**	**(8,975)**
Net deferred income tax assets/(liabilities)	**7,087**	**(2,817)**

(c) Deferred taxes analysed by type of temporary difference

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

(EUR'000)	1 Jan 2020	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2020
Tax effect of taxable temporary differences				
PPE & Intagible assets	(12,822)	9,205	1,759	(1,858)
Trade receivables	(834)	386	146	(302)
Borrowings	34	20	(15)	39
Other current assets	(8)	(264)	2	(270)
Deferred income	2	-	(1)	1
Other temporary differences	(1,138)	250	56	(832)
Total deferred tax liability	**(14,766)**	**9,566**	**1,947**	**(3,223)**

(EUR'000)	1 Jan 2020	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2020
Tax effect of deductible temporary differences				
PPE and intangible assets	16	12	(1)	27
Inventories	(13)	-	-	(13)
Allowances for trade receivables	1,346	(364)	1	983
Trade and other payables	(5)	9	(1)	3
Borrowings	31	(26)	(2)	3
Issued loans	-	-	-	-
Deferred income	311	(228)	294	377
Provisions	1,384	(248)	(476)	660
Carry forwards tax losses	6,173	1,310	(1,868)	5,615
Unutilised investment incentives	1,614	350	(111)	1,853
FX balance on CIP account	7	-	-	7
Other current assets	(6)	9	-	3
Other temporary differences	1,091	576	(875)	792
Total deferred tax assets	**11,949**	**1,430**	**(3,039)**	**10,310**
Net deferred tax asset	**(2,817)**	**10,996**	**(1,092)**	**7,087**

The movements in deferred income tax assets and liabilities during the year ended 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(EUR'000)	1 Jan 2019	Reclassification	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2019
Tax effect of taxable temporary differences					
PPE & Intangible assets	(14,881)	(586)	1,973	672	(12,822)
Trade receivables	(54)	(135)	(677)	32	(834)
Borrowings	(60)	(1)	94	1	34
Other current assets	(52)	(115)	151	8	(8)
Deferred income	(123)	66	60	(1)	2
Other temporary differences	(276)	(841)	(25)	4	(1,138)
Total deferred tax liability	**(15,446)**	**(1,612)**	**1,576**	**716**	**(14,766)**

(EUR'000)	1 Jan 2019	Reclassification	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2019
Tax effect of deductible temporary differences					
PPE & Intangible assets	20	1	(6)	1	16
Inventories	26	-	(39)	-	(13)
Allowances for trade receivables	654	326	367	(1)	1,346
Trade and other payables	134	(139)	-	-	(5)
Borrowings	-	-	30	1	31
Deferred income	3	410	(127)	25	311
Provisions	1,930	(216)	(329)	(1)	1,384
Carry forwards tax losses	10,750	(103)	(3,750)	(724)	6,173
Unutilised investment incentives	1,901	(113)	(6)	(168)	1,614
FX balance on CIP account	7	-	-	-	7
Other current assets	-	(7)	-	1	(6)
Other temporary differences	501	1,027	(480)	43	1,091
Total deferred tax assets	**15,926**	**1,186**	**(4,340)**	**(823)**	**11,949**
Net deferred tax liability	**480**	**(426)**	**(2,764)**	**(107)**	**(2,817)**

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

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

28. Contingencies and Commitments

a) Legal proceedings

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

EPas
EPas is in arbitration proceedings with the Republic of Bulgaria. EPas claims that the Republic of Bulgaria has violated its obligations arising out of the Agreement between the Czech Republic and the Republic of Bulgaria for the Promotion and Reciprocal Protection of Investments and the Energy Chart Treaty. EPas claims compensation of damage. The proceedings remain ongoing and a final arbitral award is unlikely to be expected by the end of the year 2021 at the earliest.

EPB
As of 31 December 2020, a legal claim for EUR 1,259 thousand related to liability - expenses for balancing power against the EPB was initiated from National Electricity Company EAD (“NEK EAD”). This claim is contested by the EPB.

EPB initiated an arbitration claim against NEK EAD amounting to EUR 1,692 thousand for the price of electricity supplied for period April - May 2016.

EPB is a plaintiff in legal case for payment of EUR 266 thousand for water supply to NEK EAD for the period of April -May 2016.

EPB is plaintiff in 2 administrative cases:

Against EWRC preferential price Ц-14/2019 decision;
Against EWRC decision SP-6/2019.

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

EPV
PPE without ownership documents
In regard with the separation of EDC Gorna Oryahovitsa (former name of Electro North) and EDC Varna (former name of EPS from the NEK EAD effected in the year 2000, the companies from the EPV acquired certain land and buildings with insufficient ownership deeds. As of 31 December 2020, the EPV’s net book value of such assets is EUR 908 thousand (31 December 2019: EUR 1,093 thousand). The EPV’s companies are in process of acquiring of the necessary title deeds. In these financial statements no liabilities have been recognised in relation to these assets. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

EPG
In 2018, JSC Georgian Railway began dispute against EPG about errors identified by the EPG’s management of revenue recognition under the electricity sale and purchase agreement between JSC Georgian Railway and the EPG dated 27 September 2011. Based on the terms of the contract, it was agreed that the tariff for JSC Georgian Railway should not be increased until 1 September 2016, irrespective of any tariff increase of GNERC. In July 2015, GNERC increased the tariffs for EPG. Respectively, starting from September 1, 2015, EPG presented invoices to JSC Georgian Railway including increased tariffs. In December 2018, EPG has annulled the incorrect invoices and presented the correct ones to JSC Georgian Railway. Respectively, EPG has restated its financial

statements as of 31 December 2018. In May 2019, JSC Georgian Railway began to dispute against EPG about the interest in the amount of EUR 605 thousand. Based on the EPG's internal assessment it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these consolidated financial statements.

LP Group
Actions for damages in a total value of EUR 3,525 thousand as of 31 December 2020 (31 December 2019: EUR 3,483 thousand) were filed against Litostroj Hydro. Based on attorneys' opinion, the company's management estimated that no conditions occurred that would require the legal claims to be recognized as provisions or liabilities in the Balance Sheet.

Končar KET has filed a lawsuit against the LP Group for the amount of 6,777 thousand for reimbursement of costs incurred on the project Koyna. According to the evidence provided by Končar the claim is largely unfounded. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

b) Tax legislation

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

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

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

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

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

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

c) Environmental matters

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

d) Contingent assets

RH
RH received guarantee letters amounting to EUR 717 thousand as of 31 December 2020 (31 December 2019: EUR 230 thousand). Guarantee letters received are mainly cost of bilateral agreement related with wholesale energy sales agreements.

EP Insaat
EP Insaat received guarantee letters amounting to EUR 3,450 thousand as of 31 December 2020 (31 December 2019: EUR 2,450 thousand). Guarantee letters received are mainly related with supplier agreements.

LP Group
Guarantees received
The guarantees and counter-guarantees received represented advance guarantees, performance bonds and warranty guarantees to the benefit of Litostroj Power d.o.o. The guarantees received amounted to EUR 467 thousand as of 31 December 2020 (as of 31 December 2019: EUR 3,890 thousand).

e) Contingent liabilities

EPas guarantee Bilsev
EPas has provided a guarantee and certain other undertakings to Akbank (Turkey) in connection with USD 141,000 thousand (EUR 125,893 thousand) loan to Bilsev for the construction of the Karakurt dam and related HPP. As of 31 December 2020, USD 133,672 thousand was drawn under this facility.

On 18 February 2019, EPas signed Amended Finance Documents with respect to this facility. According to Amended Finance Documents, the total amount that may be claimed under the EPas guarantee is limited to USD 50,000 thousand (EUR 40,750 thousand as of 31 December 2020).

EPas guarantee club of banks
EPas has issued a guarantee in favour of a club of banks in connection with a EUR 3,000 thousand revolving facility for Litostroj Power, d.o.o. The guarantee is for 100% of the drawn amount as of 31 December 2020.

EPas guarantee LE
EPas has issued a guarantee in favour of Komercni banka a.s. in connection with CZK 20,000 thousand (EUR 762 thousand) revolving facility for Litostroj Engineering a.s. The guarantee is for 100% of the drawn amount as of 31 December 2020.

EPV
Unicredit Bulbank AD has issued in name of EPES a bank guarantee to various subjects (IBEX EAD, ESO EAD) in the amount EUR 10,731 thousand as of 31 December 2020.

RH
RH issued guarantee letters amounting to EUR 1,889 thousand as of 31 December 2020 (31 December 2019: EUR 1,669 thousand). Guarantee letters issued are mainly given to the EMRA, TEİAŞ and various electricity distribution institutions.

EP Toptan
EP Toptan issued guarantee letters amounting to EUR 2,985 thousand as of 31 December 2020 (31 December 2019: EUR 3,290 thousand). Guarantee letters issued are mainly given to State Hydraulic Works, Tax Authority and TEİAŞ.

EPG
On 5 February 2019, EPG has issued a non-cash cover guarantee, which amounts to EUR 89 thousand as of 31 December 2020 (31 December 2019: EUR 89 thousand). Cash cover guarantee for the purposes of securing payment for the supply of natural gas provided by LLC "SOCAR Gas Export – Import").

LP Group

(EUR'000)	**2020**	**2019**
Guarantees given	17,853	27,987
Securities given	2,650	2,822
Bills of exchange issued	453	393
Letters of credit	8,433	2,550

Guarantees given
Guarantees given (bid bonds, advance guarantees, performance bonds, warranty guarantees, customs guarantees and guarantees for timely payments) were recognized by LP as of 31 December 2020 in the amount of EUR 13,432 thousand (31 December 2019: EUR 20,835 thousand), by the company LHI in the amount of EUR 2,298 thousand (31 December 2019: EUR 5,319 thousand) and by the company LE in the amount of EUR 2,123 thousand (31 December 2019: EUR 1,833 thousand).

Securities given
Securities were issued to the company LHI for the uninvoiced part of the projects due in 2021.

Bills of exchange issued
On 31 December 2020, the LPG recognized bills of exchange issued in the total amount of EUR 453 thousand. (31 December 2019: EUR 393 thousand).

Letters of credit
The letters of credit were disclosed by LPG and represent framework loans intended for providing cover for projects in Canada and in Central America.

Disclosure of collaterals to banks of LP Group:

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

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

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

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

LE

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

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

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

LHI

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

f) Commitments

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

The Management has assessed the fair value of energy facilities, which are owned by consumers, which as at 31 December, 2020 amounted to EUR 9,581 thousand (31 December, 2019: EUR 13,977 thousand). The Management is unable to predict when energy facilities that are not redeemed by 31 December 2020 will be purchased.

As of 31 December 2020, a company from the EPV Group has entered into connection agreements for 137 connection facilities (31 December, 2019: 118 connection facilities) under which the counter party is obliged to build the facilities. The EPV has committed to purchase these facilities after they have been finished. The average value of the connected facilities for the period 2019 – 2020 is EUR 20 thousand (2018 – 2019: EUR 20 thousand).

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

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

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

- USD 40 million (EUR 33 million) in rehabilitation of hydro power plants; and
- Up to USD 81 million (EUR 72 million) in the rehabilitation and modernisation of the distribution networks.

As of 31 December 2020, and 31 December 2019, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

29. Financial Risk Management

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

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

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

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

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

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

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

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

(EUR'000)	**31 Dec 2020**	**31 Dec 2019**
Non-current financial assets		
- Restricted bank deposit	1,227	6,408
Trade and other receivables		
- Trade receivables	73,724	113,616
Issued loans		
- Loans issued	2,862	2,612
Cash and cash equivalents		
- Bank balances and Cash on hand payable on demand	40,876	33,606
Total	**118,689**	**156,242**

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

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

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

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

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

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

	31 December 2020			**31 December 2019**		
(EUR’000)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
EUR	337,214	681,624	(344,410)	331,233	811,507	(480,274)
USD *)	56,088	134,732	(78,644)	22,758	131,332	(108,574)
TRY *)	2,146	24,132	(21,986)	22,304	1,919	20,385
CAD *)	6,018	5,175	843	-	-	-
Other currencies *)	445	2,506	(2,061)	-	-	-
Total	401,911	848,169	(446,258)	376,295	944,758	(568,463)

*) Denominated in EUR

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

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

	31 December 2020	**31 December 2019**
(EUR'000)	**Impact on profit or loss**	**Impact on profit or loss**
EURO strengthening by 10%	(34,441)	(48,027)
EURO weakening by 10%	34,441	48,027
US Dollar strengthening by 10%	(7,864)	(10,857)
US Dollar strengthening by 10%	(7,864)	(10,857)
TRY strengthening by 10%	(2,199)	2,039
TRY weakening by 10%	2,199	(2,039)
CAD strengthening by 10%	84	-
CAD weakening by 10%	(84)	-
Other currencies strengthening by 10%	(206)	-
Other currencies weakening by 10%	206	-

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

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

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

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

The tables below show liabilities at 31 December 2020 and at 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

(EUR'000)	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Borrowings	27,643	336,017	47,101	**410,761**
Trade and other payables	113,666	12,080	-	**125,746**
Other non-current financial liabilities	489	2,075	476	**3,040**
Other current liabilities	5,160	440	-	**5,600**
Issued Bonds (Note 20)	8,401	635,541	-	**643,942**
Contingent liabilities – financial guarantees (Note 28e)	44,512	-	-	**44,512**
Total future payments, including future principal and interest payments	**199,871**	**986,153**	**47,577**	**1,233,601**

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

(EUR'000)	**Up to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Borrowings	26,444	807,585	162,058	**996,087**
Trade and other payables	113,217	323	-	**113,540**
Other non-current financial liabilities	-	2,757	-	**2,757**
Other current liabilities	28,311	(17,908)	-	**10,403**
Issued Bonds	8,401	614,205	-	**622,606**
Contingent liabilities – financial guarantees (Note 28e)	48,295	-	-	**48,295**
Total future payments, including future principal and interest payments	**224,668**	**1,406,962**	**162,058**	**1,793,688**

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

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

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

30. Fair Value of Financial Instruments

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

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

Issued Bonds

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

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

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

Carrying amounts and estimated fair values of financial instruments as at 31 December 2019, are as follows:

(EUR'000)	Carrying amount	Fair Value	Interest	Total Fair Value
4% Notes due 2022	367,143	385,032	974	**386,006**
4.5% Notes due 2024	255,463	255,693	7,428	**263,121**
Total	**622,606**	**640,725**	**8,402**	**649,127**

31. Events after the Reporting Period

EPGF

On 7 May 2021, the company EPGF increased the 6.5% Notes due 2023 (ISIN: CZ0003527749) (Note 20) by another CZK 530 milion (EUR 20.2 million) bond issue. The total face value of issued bonds is CZK 1,060 million (EUR 40.4 million) as of the issuance of these financial statements. The issued bonds still have maturity of 3 years and a fixed coupon of 6.5% p.a. The bonds have been admitted to trading on the regulated market of the Prague Stock Exchange. The issue price of the bonds 100% of nominal value.

EP Swiss

Based on the Shares Purchase Agreement with the Company dated 26 February 2021, the EPas became the single shareholder of EP Swiss.

Appointment of a new CEO of the EPas. and its subsidiaries and changes in the EPas's governing bodies

On April 30, 2021, the EPas announced changes in its management of the company and the governing bodies of the company with effect from May 1, 2021. The Board of Directors of EPas appointed Petr Z. Milev as the General Director of the EPAS Group. The position of the Chairman of the Board of Directors remains with Mr. Jaromír Tesař. The three-member Board of Directors of EPas will be completed by Mr. Petr Z. Milev and Mr. Vlastimil Ouřada, CFO of the ENERGO-PRO Group. Both will resign from their positions on the EPas's Supervisory Board. Mr. Pavel Váňa will no longer be a member of the Board of Directors. Petr Tesař is transferred from the EPas's Board of Directors to the two-member Supervisory Board, to which Christian E. Blatchford will join as Chairman of the Supervisory Board.

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

This annual report and the related financial statements were approved for issue and signed on behalf of the Company Executive Director and the Group's management on 1 July 2021.

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of DK Holding Investments, s.r.o., and its controlled undertakings ("the Company"; together with controlled undertakings "the Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company and the Group, see Note 1 to the consolidated financial statements.

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Representative.

- Conclude on the appropriateness of the Statutory Representative' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Jiří Křepelka, Auditor
License No. 2163

1 July 2021
Prague, Czech Republic