ENERGO - PRO a.s.

Condensed Consolidated Interim Financial Statements and Independent Auditor's Report

for 9 months ended 30 September 2021

Contents

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Building a better working world

Report on Review of Interim Financial Information

To the Shareholders of ENERGO - PRO a.s.:

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of ENERGO - PRO a.s. and its subsidiaries ("ENERGO - PRO Group"), which comprise the Condensed Consolidated Interim Statement of Financial Position as at 30 September 2021, and the related Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Changes in Equity and Condensed Consolidated Interim Statement of Cash Flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 - Interim Financial Reporting as adopted by European Union ("IAS 34"). Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of ENERGO - PRO Group are not prepared, in all material respects, in accordance with IAS 34.

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

Jiří Křepelka, Auditor
License No. 2163

5 January 2022
Prague, Czech Republic

ENERGO - PRO a.s.
Condensed Consolidated Interim Statement of Financial Position
for the period ended 30 September 2021

(EUR'000)	Note	30 September 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	454,231	422,378
Advances for property, plant and equipment		3,674	-
Goodwill	7	55,831	54,837
Other intangible assets	8	26,410	29,581
Non-current financial assets	10	13,639	12,215
Investment in associate	11	28,498	27,523
Deferred tax assets		5,305	6,744
Non-current portion of issued loans	9	336,021	317,262
Other non-current assets		8,484	2,635
Total non-current assets		**932,093**	**873,175**
Current assets			
Inventories	12	27,069	25,118
Trade and other receivables	13	192,181	159,542
Current income tax asset		1,273	2,395
Current portion of issued loans	9	2,288	915
Cash and cash equivalents		27,898	17,677
Other current assets	14	23,470	15,384
Total current assets		**274,179**	**221,031**
Total assets		**1,206,272**	**1,094,206**
EQUITY			
Authorised share capital		3,569	3,569
Translation reserve		(92,734)	(110,947)
Retained earnings		449,523	352,627
Equity attributable to the company's owners		**360,358**	**245,249**
Non-controlling interest		21,431	19,858
Total equity		**381,789**	**265,107**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,589	6,201
Non-current Provisions	15	7,281	7,351
Non-current Borrowings	16	634,775	624,527
Non-current financial liabilities		1,875	3,350
Other non-current liabilities		6,401	5,962
Total non-current liabilities		**653,921**	**647,391**
Current liabilities			
Current Provisions	15	7,673	6,052
Trade and other payables		81,789	105,393
Income tax payable		4,550	170
Current Borrowings	16	50,176	38,200
Contract liabilities		10,644	13,566
Other current liabilities		15,730	18,327
Total current liabilities		**170,562**	**181,708**
Total liabilities		**824,483**	**829,099**
Total liabilities and equity		**1,206,272**	**1,094,206**

(EUR'000)	Note	1 January - 30 September 2021	1 January - 30 September 2020
Revenue			
Sales of electricity in local markets		560,553	406,718
Cross border sales of electricity		93	143
Grid components of electricity sales price		90,273	83,217
Services and other		43,960	77,005
Total revenue		**694,879**	**567,083**
Other income		10,543	5,652
Changes in inventory of products and in work in progress		-	-
Capitalized own products and own services		-	-
Purchased power		(412,452)	(313,355)
Service expenses		(50,803)	(81,389)
Labour costs		(49,634)	(52,427)
Material expenses		(16,515)	(9,969)
Tax expenses		(4,722)	(2,776)
Other operating expenses		(18,922)	(10,436)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA) [1]		**152,374**	**102,383**
Depreciation and amortisation expense		(33,277)	(35,010)
Earnings before financial expenses and taxes (EBIT)		**119,097**	**67,373**
Finance income	17	13,374	12,474
Finance costs	17	(30,484)	(83,262)
Finance costs – net		**(17,110)**	**(70,788)**
Income before income tax (EBT)		**101,987**	**(3,415)**
Income tax		(4,839)	(4,477)
Deferred taxes		1,497	3,713
Total income tax expense		**(3,342)**	**(764)**
Profit/(loss) for the period		**98,645**	**(4,179)**
Profit/(loss) attributable to:			
- Owners of the company		96,969	(5,891)
- Non-controlling interest		1,676	1,712
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		18,196	(24,041)
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		-	-
Tax effect		-	-
Net amount		-	-
Other comprehensive income/(loss)		**18,196**	**(24,041)**
Total comprehensive income/(loss)		**116,841**	**(28,220)**
Total comprehensive income attributable to:			
- Owners of the company		115,165	(29,932)
- Non-controlling interest		1,676	1,712

[1] EBITDA is a non-gaap measure in the Condensed 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.

	Equity attributable to the company's owners					
(EUR'000)	**Authorised ("Unpaid") share capital**	**Translation reserve**	**Retained earnings & Other reserves**	**Total equity without non-controlling interest**	**Non-controlling interest**	**Total equity**
1 January 2020	**3,569**	**(69,580)**	**354,285**	**288,274**	**18,186**	**306,460**
Net income for the period	-	-	(5,891)	(5,891)	1,712	(4,179)
Other comprehensive income	-	(24,041)	-	(24,041)	-	(24,041)
Comprehensive income for the period	-	(24,041)	(5,891)	(29,932)	1,712	(28,220)
Other changes in equity	-	22	(21)	1	(2)	(1)
30 September 2020	**3,569**	**(93,599)**	**348,373**	**258,343**	**19,896**	**278,239**
1 January 2021	**3,569**	**(110,947)**	**352,627**	**245,249**	**19,858**	**265,107**
Net income for the period	-	-	96,969	96,969	1,676	98,645
Other comprehensive income	-	18,196	-	18,196	-	18,196
Comprehensive income for the period	-	18,196	96,969	115,165	1,676	116,841
Other changes in equity	-	17	(73)	(56)	(103)	(159)
30 September 2021	**3,569**	**(92,734)**	**449,523**	**360,358**	**21,431**	**381,789**

(EUR'000)	Note	1 January - 30 September 2021	1 January - 30 September 2020
Profit/(loss) before income tax		**101,987**	**(3,415)**
Adjusted for:			
Depreciation and amortization expense	6,8	33,277	35,010
Unrealised currency translation losses/(gains)		(7,412)	58,636
Interest income	17	(12,339)	(11,690)
Interest expenses	17	21,565	20,470
Changes in provisions and impairment		1,919	(8,690)
Assets granted free of charge		(442)	(154)
Inventory surplus		(292)	(732)
(Gain)/Loss on disposal of property, plant and equipment		1,488	612
Inventory obsolescence expense		98	1,965
Other changes - difference in rate of exchange etc.		1,961	1,577
Cash inflow from operating activities before changes in operating assets and liabilities		**141,810**	**93,589**
Movements in working capital			
Decrease/(increase) in inventories	12	(1,366)	(5,625)
Decrease/(increase) in trade accounts receivable and contract assets	13	(34,773)	2,788
Decrease/(increase) in other current assets	14	(8,553)	(645)
Increase/(decrease) in trade and other payables		(36,304)	(13,986)
Increase/(decrease) in other liabilities		(4,744)	(313)
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		**56,070**	**75,808**
Interest received		8	-
Income tax paid		737	(650)
Net cash (outflow)/inflow from operating activities		**56,815**	**75,158**
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	(45,889)	(35,889)
Proceeds from sale of property plant and equipment		98	391
Loans granted	9	(9,834)	(36,662)
Loans repaid	9	1,342	-
Net change in deposits granted		765	1,507
Acquisition of financial investment		(8,003)	(472)
Net cash outflow from investing activities		**(61,521)**	**(71,112)**
Cash flows from financing activities			
Proceeds from borrowings		700,724	179,425
Repayment of borrowings		(687,901)	(177,367)
Interest paid		(11,934)	(11,493)
Dividends paid to non-controlling interest		-	-
Dividends paid to the shareholders of the parent company		-	-
Net cash used in financing activities		**889**	**(9,435)**
Net increase/(decrease) in cash and cash equivalents		**(3,817)**	**(5,389)**
Cash and cash equivalents at the beginning of the period		**17,677**	**16,589**
Effect of exchange rate on changes on Cash and Cash equivalents		14,038	5,497
Cash and cash equivalents at the end of the period		**27,898**	**16,697**

Notes to Condensed Consolidated Interim Financial Statements

1. ENERGO - PRO a.s. Group and its's operations

ENERGO - PRO a.s. ("EPas") is a joint-stock company ("the 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 ENERGO - PRO a.s. are power generation from hydro power plants ("HPPs"), electricity distribution and power trading.

The ultimate holder of 100% of ENERGO-PRO a.s. shares is the entity DK Holding Investments, s.r.o. ("DKHI") which is wholly owned by Mr. Jaromír Tesař.

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

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

EPas is the parent company of the Group of companies ("the EP Group" or "the Group"), which comprises the following entities and their subsidiaries consolidated in these financial statements as of 30 September 2021:

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

Below are summarized the changes in the structure that took place over the period from 1 January to 30 September 2021:

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

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

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

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

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

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

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

The number of employees of the Group as of 30 September 2021 and 31 December 2020 was 9,060 and 9,102 respectively.

List of Group´s power plants as of 30 September 2021 is as follows:

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

Subsidiaries

ENERGO-PRO Georgia Holding JSC (“EPGH”)

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

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

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

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

		EPGH’s ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
JSC Energo - Pro Georgia (i)	Georgia	49.9%	-
EP Georgia Supply JSC	Georgia	100.0%	-
EP Georgia Generation JSC (ii)	Georgia	49.9%	-

(i) EPas owns 50.1% of share of the company JSC ENERGO-PRO Georgia.
(ii) EPas owns 50.1% of share of the company JSC ENERGO-PRO Georgia Generation.

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

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

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

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

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

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

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

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

EPGG's principal activity is the generation of electricity via its portfolio of fifteen medium and small size hydro power plants with a total installed capacity of 487 MW.

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

EPGG is the parent company in the following entity:

		EPGG's ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
LLC gPower	Georgia	100%	-

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

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

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

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

The number of employees of EPGH Group as of 30 September 2021 and 31 December 2020 was 6,039 and 6,040, respectively.

OPPA JSC ("OPPA")

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

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

OPPA is parent company of the following entity:

		OPPA's ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
LLC OPPA Commerce	Georgia	100%	100%

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

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

The number of employees of OPPA as of 30 September 2021 and 31 December 2020 was 316 and 308, respectively.

ENERGO-PRO Bulgaria EAD (“EPB”)

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

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

EPB is the parent company of the following entities:

		EPB’s ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
Pirinska Bistritsa Energia AD	Bulgaria	100% (ii)	26.52% (i)
Pirinska Bistritsa Kaskadi EAD (ii)	Bulgaria	-	100%

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

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

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

The number of employees of EPB as of 30 September 2021 and 31 December 2020 was 126 and 128, respectively.

ENERGO-PRO VARNA EAD (“EPV”)

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

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

EPV is the parent company of the following entities:

		EPV’s ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
Electrodistribution North AD	Bulgaria	93.10%	93.10%
ENERGO-PRO Sales AD	Bulgaria	99.73%	99.73%
ENERGO-PRO Energy Services EAD	Bulgaria	100%	100%
Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş	Turkey	49%	49%

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

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

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

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

The number of employees of EPV as of 30 September 2021 and 31 December 2020 was 2,398 and 2,406, respectively.

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

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

The number of employees of RH as of 30 September 2021 and 31 December 2020 was 102 and 99, respectively.

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

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

The number of employees of EPToptan as of 30 September 2021 and 31 December 2020 was 0 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.

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

The number of employees of EP Insaat as of 30 September 2021 and 31 December 2020 was 4 and 38, respectively.

MEGAWATT SERVIS s.r.o. (“MGW”)

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

The number of employees of MGW as of 30 September 2021 and 31 December 2020 was 42 and 43, respectively.

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

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

Based on the Shares Purchase Agreement with the Parent company DKHI dated 7 December 2020, the EPas became the unique shareholder of the ENERGO-PRO Colombia S.A.S. EP Colombia performs operational matters through EPas and outsourcing services. EP Colombia had no employees as of 30 September 2021.

EP Colombia is the parent company in the following entity:

		EP Colombia’s ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
Generadora Chorreritas S.A.S. E.S.P.	Colombia	100%	100%

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

ENERGO-PRO Swiss GmbH (“EP Swiss”)

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

EP Swiss had 2 employees as of 30 September 2021. EP Swiss main activities consist of providing technical consultancy in the hydropower sector (including greenfield development projects), expert supervision and support during the development and implementation of new projects. EP Swiss had two employees as of 30 September 2021.

Energo Pro Turkey Holding A.Ş. (“EP Turkey Holding”)

EP Turkey Holding was established in September 2021 to provide management and shared services to the Group’s companies in Turkey. EP Turkey Holding had no employees as of 30 September 2021.

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

TDP is a limited liability company established on 20 March 2019 with registered address of Na poříčí 1079/3, Nové Město, 110 00 Praha 1, Czech Republic. TDP's business activity is a special purpose vehicle which owns a land plot in Prague and is engaged in development of a real estate project. TDP had no employees as of 30 September 2021.

Related party companies

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

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

EPC is the parent company of the following entities:

		EPC's ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
Dolnolabské elektrárny a.s.	Czechia	62%	62%
ENERGO - PRO MVE, s.r.o.	Czechia	100%	100%

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

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

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

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

EPTD is the parent company in the following entity:

		EPTD's ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
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 manages the Alpaslan II HPP & dam operation.

EPHD is the parent company in the following entity:

		EPHD's ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
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.

ENERGO-PRO Industries, s.r.o. (“EPI”)

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

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

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

LTH US is the parent company of the following entity:

		LTH US’s ownership interest	
Name	**Location**	**30 September 2021**	**31 December 2020**
LITOSTROJ U.S. LLC.	United States	100%	100%

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

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

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

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

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

Berta Enerji Elektrik Üretim Sanay ve Tic. A.Ş. (“Berta”)

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 assets project of 3 HPP’s and dam development in Turkey on the river Berta.

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 30 September 2021, DKHI owns 95% of ownership and PT Solusi Global Sejahtera owns 5% of ownership.

Terestra-Bulgaria EOOD (“Terestra”)

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

TAKEDAKODON, s.r.o. (“Takedakodon”)

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

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

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

2. Summary of Significant Accounting Policies

Basis of preparation. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") for the period of nine months ended 30 September 2021 for ENERGO-PRO a.s. and its subsidiaries (together referred to as the "Group"). These condensed consolidated interim financial statements have been prepared under the historical cost convention.

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.

Going concern. The condensed consolidated interim 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. 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 as of November 2021

The management has performed an assessment of the situation with respect to COVID-19 pandemic across the countries in which ENERGO-PRO Group 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 stabilizing and gradually returning to normal. We expect that another increase in COVID-19 infections is likely and government response to such increase is difficult to predict. 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.

Management's mitigation measures taken

ENERGO-PRO 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 ENERGO-PRO Group's liquidity. In order to conserve cash, our operating subsidiaries reviewed their planned capex spending in 2021 and reduced it where possible. Therefore, we assess the probability of COVID-19-related risks having a significant negative impact on ENERGO-PRO 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.

Investments in associate. The Group applies accounting for an associate according to IAS 28. The Group recognise an associate if it is an entity over which an investor has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control), and investments in associates areaccounted for using of the equity method. Under the equity method of accounting, an equity investment is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate.

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 period (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 period. 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 period 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 insubstance 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 31 October 2017 and enters into force on 1 January 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 30 September 2021, the Group reported right of use assets in the amount of EUR 7,319 thousand (31 December 2020: EUR 7,002 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)	**30 September 2021**	**31 December 2020**
Non-current financial liabilities	2,459	3,350
Other current liabilities	469	419
Total lease liabilities	**2,928**	**3,769**

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 licenses and software	1 – 7 years
Other operating licenses	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 period 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.

The 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 period.

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 period 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 EP 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 EP 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 period 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.

Connection fees - specified

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 1 January 2018, the Group does not report revenue and (costs) for grid components. In the case of EPGS, this revenue is reported due to the following main differences with Bulgaria in local legislation: (1) EPGS has a contract with the regulated customer; (2) the primary obligor towards the customer is the supply company EPGS.

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.

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

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 governments, 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 in preparation of these condensed consolidated interim financial statements as at 30 September 2021 are consistent with those of the previous financial year.

As of 1 January 2021 the Group did not adopt any international financial reporting standard or interpretation that would have significant impact to the Condensed Consolidated interim financial statements for 9 months ended 30 September 2021.

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 at 30 September 2021, the outstanding balances with related parties were as follows:

(EUR'000)	**Shareholders**	**Entities under common control (i)**
Current portion of issued loans	-	23
Non-current portion of issued loans	317,159	18,860
of which: Principal	*272,458*	*15,557*
of which: Interest	*44,701*	*3,303*
Prepayments for property, plant and equipment	-	1005
Non-current financial fixed assets	-	11,881
Trade and other receivables	630	65,999
Inventories	-	8,732
Other current assets	-	531
Other non-current liabilities	-	3,503
Trade and other payables	-	276
Other current liabilities	-	1,746

The income and expense items with related parties for the nine months period ended 30 September 2021 were as follows:

(EUR'000)	**Shareholders**	**Entities under common control (i)**
Sales of electricity in local markets	-	134
Cross border sales of electricity	-	24
Sales - services and other	3	21,250
Other Income	-	565
Purchased power	-	68
Services expenses	-	(70)
Materials expenses	-	(1,507)
Interest income	10,400	2,256
Interest costs	-	1

(i) Entities under common control – "Related parties" section – sister companies or group of companies that do not form part of the ENERGO-PRO Group and their shareholder is the entity DK Holding Investments, s.r.o.

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

(EUR'000)	Shareholders	Entities under common control (i)
Current portion of issued loans	-	22
Non-current portion of issued loans	298,980	18,191
of which: Principal	*264,932*	*15,544*
of which: Interest	*34,047*	*2,647*
Non-current financial fixed assets	-	10,822
Trade and other receivables	609	18,659
Inventories	-	9,541
Other current assets	-	1,041
Other non-current liabilities	-	4,161
Trade and other payables	-	618
Other current liabilities	-	1,760

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

(EUR'000)	Shareholders	Entities under common control (i)
Sales of electricity in local markets	-	323
Sales - services and other	10	55,599
Other Income	-	449
Services expenses	-	(142)
Materials expenses	-	(2,034)
Other operating expenses	-	(52)
Interest income	12,676	1,389
Interest costs	-	(4)

(i) Entities under common control – "Related parties" section – sister companies or group of companies that do not form part of the ENERGO-PRO Group and their shareholder is the entity DK Holding Investments, s.r.o.

6. Property, Plant and Equipment

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
Net book value							
31 December 2020	**46,726**	**324,768**	**6,200**	**31,102**	**4,813**	**8,769**	**422,378**
30 September 2021	**49,625**	**340,464**	**6,590**	**44,440**	**4,139**	**8,973**	**454,231**

7. Goodwill

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

(EUR'000)	31 December 2020	Acquisitions/Disposals	Exchange differences	Impairment loss	30 September 2021
EPB	24,849	-	-	-	24,849
EPGG	17,140	-	1,800	-	18,940
RH	6,660	-	(843)	-	5,817
OPPA	5,836	-	-	-	5,836
EPG	352	-	37	-	389
Total carrying amount	**54,837**	**-**	**994**	**-**	**55,831**

For the period ended on 30 September 2021 no significant changes in Group's operating activity leading to impairment indications of goodwill arose.

8. Other Intangible Assets

The intangible assests were as follows:

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Net book value						
31 December 2020	**26,671**	**2,060**	**103**	**6**	**741**	**29,581**
30 September 2021	**23,535**	**1,978**	**63**	**36**	**798**	**26,410**

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.

As of 31 December 2020, and 30 September 2021, no indicators have been established that the carrying amount of intangible assets exceeds their recoverable amount and as a results, no impairment loss has been recognised in the financial statements.

9. Non-current and Current Issued Loans

(EUR'000)	30 September 2021	31 December 2020
Non-current portion of issued loans:		
Shareholders - DKHI (i)	317,159	298,981
ENERGO-PRO MVE, s.r.o.	10,766	10,298
ENERGO-PRO Industries, s.r.o.	8,093	7,916
Other	3	67
Total non-current portion of issued loans	**336,021**	**317,262**
Current portion of issued loans:		
Taurus Konsult EOOD	755	577
Terestra OOD	1,456	207
ENERGO-PRO Industries, s.r.o.	19	18
Other	58	113
Total current portion of issued loans	**2,288**	**915**
Total issued loans	**338,309**	**318,177**

(i) Issued loans to parent company DKHI include a principal of EUR 272,458 thousand as of 30 September 2021 (31 December 2020: EUR 264,932 thousand).

Movements in issued loans were as follows:

(EUR'000)	1 January - 30 September 2021	1 January – 31 December 2020
At the beginning of the period	**318,177**	**266,924**
Interest income accrued during the period (+)	10,916	13,348
Loans issued during the period (+)	9,834	39,733
Principal repayments (-)	(1,342)	-
Interest received during the period (-)	(8)	-
Exchange rate difference	1,091	(1,850)
Other	(359)	22
As the end of the period	**338,309**	**318,177**

10. Non-current Financial Assets

(EUR'000)	30 September 2021	31 December 2020
Receivable from Bilsev for corporate guarantee fee (i)	11,881	10,822
Restricted bank deposit (ii)	-	821
Investments Fund	713	-
Other	1,045	572
Total non-current financial assets	**13,639**	**12,215**

(i) EPas is a guarantor of a loan dated 29 June 2016 between Bilsev and AKBANK Tic A.S. ("Akbank") in the amount of USD 141,000 thousand. EPas is entitled to receive a guarantee fee of 2% p.a. of the guaranteed loan amount. 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. EPas classifies this receivable as a financial asset because EPas is a party to the contractual arrangement and therefore, has a legal right to receive cash. The EPas recognises this financial asset at fair value on initial recognition.

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

11. Investments in associate

(EUR'000)	30 September 2021	31 December 2020
Purchase of 49% of the shares of Berta (i)	28,498	27,523
Total investments in associate	**28,498**	**27,523**

(i) In June 2017, EPV signed a contract for the purchase of 49% of the shares of Berta with DKHI in the amount of EUR 27,000 thousand (BGN 52,807 thousand). Pursuant to the agreement, EPV has made advance payment for the full amount. The transfer of 49% of Berta's capital will be made subject to the following conditions: 1. Issuance of a license for electricity production and 2. Obtaining approval by the Regulatory Council for the Energy Market in the Republic of Turkey.

On 25 April 2019, a license for electricity production was issued for a period of 49 years. On 5 May 2020, the Energy Market Regulatory Board of the Republic of Turkey approved the change in the capital structure of Berta. As both of the above conditions were met in 2020, in May 2020, the EPV acquired 49% of Berta's capital and the advance payment in the condensed consolidated interim financial statements as of 30 September 2021 is presented as an investment in associate. The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The Group presents its non-controlling interest in Berta as an investment in an associate. An associate is an entity over which the Group has significant influence. Significant influence is expressed in the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group uses the equity method of accounting for the investment in the associate. Under the equity method, an investment in an associate is initially recognised at cost. The associate had no contingent liabilities or capital commitments as at 30 September 2021 and 31 December 2020. The changes for the period ended 30 September 2021 in comparison to results disclosed as of 31 December 2020, related to the associate's result of Statement of financial position items, were insignificant. The figures for the nine months period ended 30 September 2021 for the Statement of Comprehensive Income related to the associate were insignificant. The Group has performed an impairment test in the context of the COVID-19 situation and in accordance with IAS 36. As of 31 December 2020, this test did not identify any facts that would result in a decrease in the value of the investment.

12. Inventories

(EUR'000)	30 September 2021	31 December 2020
Prepayments for inventories	12,282	12,645
Electrical equipment	4,058	3,492
Cables and wires	3,290	2,786
Spare parts	1,448	1,776
Tools and bolts	1,684	1,215
Inventory related to Paybox Installation	897	562
Scrap & Damaged Inventory	437	507
Other (i)	2,973	2,135
Total inventories	**27,069**	**25,118**

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

13. Trade and Other Receivables and Contract assets

(EUR'000)	30 September 2021	31 December 2020
Distribution to households	28,639	23,987
Distribution to commercial sector (i)	109,516	84,591
Contract assets (i)	43,658	45,428
Receivables from export sales	2	1,578
Receivables from transmission	2,947	2,303
Receivables from electricity trading	1,133	1,561
Rent deposit	85	80
Other trade receivables	6,829	5,968
Less: provision for impairment	(9,621)	(11,404)
Total trade receivables	**183,188**	**154,092**
Guarantee deposits	7,688	4,218
Restricted bank deposit	465	594
Deposits granted	24	28
Other	816	610
Total trade and other receivables	**192,181**	**159,542**

(i) As disclosed in Note 2, applying a certain methodology, as an asset under contracts with customers, the Group reports the accrued amounts of grid fees for services and electricity delivered to end customers, which is not actually measured at the end of the reporting period.

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

(EUR'000)	1 January - 30 September 2021	1 January – 31 December 2020
Provision for impairment at the beginning of the period	**11,404**	**17,955**
Impairment charge	1,753	2,077
Reversal of impairment during the period	(2,626)	(5,416)
Amounts written off during the period as uncollectible	(1,135)	(2,458)
Exchange rate difference	225	(754)
Provision for impairment at the end of the period	**9,621**	**11,404**

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	30 September 2021	31 December 2020
Total neither past due not impaired:	**161,741**	**131,954**
Past due but not impaired		
- less than 30 days overdue	7,080	6,681
- 31 to 90 days overdue	4,903	9,785
- 91 to 180 days overdue	626	800
- over 181 days overdue	8,838	4,872
Total past due not impaired	**21,447**	**22,138**
Past due and impaired		
- current and impaired	27	18
- less than 30 days overdue	22	27
- 31 to 90 days overdue	483	252
- 91 to 180 days overdue	418	222
- over 181 days overdue	8,671	10,885
Total past due and impaired	**9,621**	**11,404**
Less: provision for impairment	(9,621)	(11,404)
Total current trade receivables, net	**183,188**	**154,092**

14. Other Current Assets

(EUR'000)	30 September 2021	31 December 2020
Advance payments (i)	9,753	6,294
VAT receivables	9,946	7,360
Prepaid insurance	1,833	995
Other	1,938	735
Total other current assets	**23,470**	**15,384**

(i) The increase in advance payments is mainly associated with the prepayment of services in the company EPV.

15. Current and Non-current Provisions

Analysis of the provisions:

(EUR'000)	30 September 2021	31 December 2020
Non-current:		
Grid access fee provision (a)	3,484	3,677
Retirement benefits (e)	3,554	3,445
Other non-current provisions (d)	243	229
Total non-current provisions	**7,281**	**7,351**
Current:		
Legal claims (b)	4,342	2,577
Energy effectiveness (c)	605	777
Retirement benefits (e)	639	620
Other current provisions (d)	2,087	2,078
Total current provisions	**7,673**	**6,052**
Total provisions	**14,954**	**13,403**

The movement of the provisions is as follows:

(EUR'000)	Grid access fee	Legal claims (i)	Energy effectiveness	Retirement benefits	Other	Total
At 1 January 2021	**3,677**	**2,577**	**777**	**4,065**	**2,307**	**13,403**
Reclassification	-	2,510	-	-	-	2,510
Paid	-	(427)	-	(145)	(317)	(889)
Accrued	42	1,376	296	295	596	2,605
Financial expense	(67)	-	-	-	-	(67)
Reversed	(168)	(1,609)	(467)	(12)	(25)	(2,281)
Actuarial loss/ (profit)	-	-	-	-	-	-
Difference in rate of exchange	-	(85)	(1)	(10)	(231)	(327)
At 30 September 2021	**3,484**	**4,342**	**605**	**4,193**	**2,330**	**14,954**
(EUR'000)	**Grid access fee**	**Legal claims (i)**	**Energy effectiveness**	**Retirement benefits**	**Other**	**Total**
At 1 January 2020	**5,308**	**5,167**	**746**	**3,921**	**981**	**16,123**
Reclassification	-	-	-	-	(71)	(71)
Paid	-	(93)	-	(690)	(373)	(1,156)
Accrued	-	1,070	95	341	1,997	3,503
Financial expense	(126)	-	-	-	-	(126)
Reversed	(1,505)	(3,471)	(64)	-	-	(5,040)
Actuarial loss/ (profit)	-	-	-	490	-	490
Difference in rate of exchange	-	(96)	-	3	(227)	(320)
At 31 December 2020	**3,677**	**2,577**	**777**	**4,065**	**2,307**	**13,403**

(i) The amount represents the estimate of the potential legal fees that would be paid to third 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

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 30 September 2021, it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 4,342 thousand.

(c) Provision for energy effectiveness

As of 30 September 2021, and 31 December 2020, EPS and EPES 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.

- Construction subcontractors

During the year 2020, The Group used the services of several construction subcontractors. The Group identified the potential business issues with the potential financial impact. The Group recognised the provision in the amount of EUR 1,386 thousand as of 30 September 2021.

e) Retirement benefits

- Benefits at retirement for illness

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

The principal actuarial assumptions are as follows:

	2021	2020
Discount rate	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 the previous years. Based on research experience and Group's confirmed assumptions, in the actuary model have been defined the following degrees of withdrawal.

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%

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

Demographic assumptions about the future characteristics of employees

Mortality assumptions are prepared on basis of National Statistical Institute data on the total mortality of population for the period 2017 – 2019.

- 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.

- 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.

16. Current and Non-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 30 September 2021 and 31 December 2020.

(EUR'000)	30 September 2021	31 December 2020
Non-Current portion of borrowings:		
Issued Bonds (i)	633,668	624,034
TBC Bank Georgia	800	-
VTB Bank Georgia	296	493
Other	11	-
Total non-current portion of borrowings	**634,775**	**624,527**
Current portion of borrowings:		
DSK Bank EAD (ii)	15,007	-
Sberbank CZ, a.s. (v)	11,906	11,500
Unicredit Bulbank AD (iv)	4,780	8,324
Raiffeisenbank EAD (iii)	18,479	18,352
Other	4	24
Total current portion of borrowings	**50,176**	**38,200**
Total borrowings	**684,951**	**662,727**

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

(i) Issued Bonds

Issued Bonds	30 September 2021	31 December 2020
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	12,043	974
Unrealised costs	(1,567)	(2,576)
Carrying amount of 4% Notes due 2022	**380,476**	**368,398**
4.5% Notes due 2024		
Principal	250,000	250,000
Accrued Interest	4,592	7,428
Unrealised costs	(1,400)	(1,792)
Carrying amount of 4.5% Notes due 2024	**253,192**	**255,636**
Total carrying amount of issued bonds	**633,668**	**624,034**

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 30 September 2021 was EUR 380,476 thousand (EUR 368,398 thousand as at 31 December 2020).

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

4.5% Notes due 2024

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

The effective interest rate was calculated at 4.74%. The carrying value of these bonds as at 30 September 2021 was EUR 253,192 thousand (EUR 255,636 thousand as at 31 December 2020).

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

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

(ii) DSK Bank EAD (EPV)

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 30 September 2021 (EUR ´000)	Final maturity date
DSK Bank EAD	BGN	1-month EURIBOR with 1.50% mark-up, minimum 1.40%	Revolving credit facility	15,007	Jun-23

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

(iii) Raiffeisenbank EAD (EPV)

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 30 September 2021 (EUR ´000)	Final maturity date
Raiffeisenbank EAD	BGN	Reference rate with 1.19 % mark-up, minimum 1.19 %	Revolving credit facility	18,479	Dec-21

On 19 December 2019, EPES and Raiffeisenbank EAD signed a facility agreement with respect to a BGN 39,000 thousand (EUR 19,940 thousand) loan. The facility was provided for general corporate purposes.

(iv) UniCredit Bulbank AD (EPV)

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 30 September 2021 (EUR ´000)	Final maturity date
UniCredit Bulbank AD 1	BGN	Variable interest rate index equal to average deposit index 0.05% and mark-up 1.15%	Revolving credit facility	3,996	Apr-22
UniCredit Bulbank AD 2	BGN	Variable interest rate index equal to average deposit index 0.05% and mark-up1.05%	Revolving credit facility	784	Apr-22

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

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

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

Lender	Original currency	Interest rate	Facility type	Outstanding balance as at 30 September 2021 (EUR ´000)	Final maturity date
Sberbank CZ, a.s.	EUR	EURIBOR + 2.50%	Revolving credit facility	11,906	Dec-21

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.

17. Finance Costs – Net

(EUR'000)	1 January - 30 September 2021	1 January - 30 September 2020
Interest expenses bonds	(21,007)	(20,227)
Net foreign exchange losses	(4,212)	(58,854)
Prolongation fees on factored payables	(3,324)	(2,846)
Other finance costs	(1,217)	(614)
Interest expense from bank borrowings	(558)	(243)
Interest expense on lease liabilities	(129)	(180)
Fee from loans and other	(37)	(299)
Finance costs	**(30,484)**	**(83,263)**
Interest income on issued loans	10,916	9,742
Other financial income	2,458	2,733
Finance income	**13,374**	**12,475**
Net finance costs	**(17,110)**	**(70,788)**

(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. It is mainly due to our Turkish subsidiary RH.

18. Contingencies and Commitments

a) Legal Proceedings

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 until the end of the year 2021 at the earliest.

EPB

As at 30 September 2021, a legal claim for EUR 1,226 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. The NEK's claim was partially upheld for EUR 277 thousand as principal plus EUR 78 thousand interests by the 1st and 2nd instance courts. Both, EPB and NEK appealed before the Court of Cassations in 2021.

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

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

EPB is plaintiff in 2 administrative cases:

Against EWRC preferential price decision Ц-21/2021 decision (preferential price decision Ц-14/2019 was proclaimed null and void on 14.01.2021);
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 30 September 2021, the EPV's net book value of such assets is EUR 811 thousand (as at 31 December 2020: EUR 908 thousand). The EPV's companies are in process of acquiring of the necessary title deeds. In these financial statements no liabilities have been recognised in relation to these assets. Based on the information available the management is not able to estimate the amount of such liabilities as at the balance sheet date.

EPG

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 Company dated 27 September 2011. In December 2018, the Company has annulled the incorrect invoices and presented the correct ones to JSC Georgian Railway. JSC Georgia Railway has agreed to the new invoices, however in May 2019 began to dispute against EPG about the lost interest income in the amount of EUR 485 thousand. Based on the EPG's initial assessment it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in financial statements.

On May 2019 JSC Georgian Railway began to dispute against EPG about the lost interest income in amount of EUR 533 thousand. According to the decision of the Tbilisi City Court of July 23, 2021, the plaintiff, in accordance with article 102 of the Code of Civil Procedure, failed to present evidence of damage in the form of unearned income, which is the basis for refusing to pay the disputed amount (EUR 533 thousand).

On 30 December 2019 Audit Department of the Revenue Service ("RS") issued inspection act on EPG's tax accounts for the period from June 2016 until July 2018. According to the said act EUR 217 was accrued as additional taxes on abnormal grid losses, including penalties and fines. This decision was appealed by EPG in the RS. The subject matter of the dispute was the calculation of abnormal grid losses for tax purposes. RS only removed penalties of GEL 17 (EUR 5). During 2020 EPG appealed in Council of Dispute Resolution at the Ministry of Finance in Georgia ("MoF"). Per resolution of the MoF dated 17 December 2020, EPG's claim was partially satisfied, and the RS was instructed to recalculate the abnormal losses as the previous calculation method used was deemed not entirely correct. EPG received the final act in 2021, which is appealed by EPG in the Tbilisi Civil Court. As of the date of these financial statements no reliable estimate of the additional taxes can be made. EPG believes that it is possible, but not probable that additional taxes will be imposed, therefore, no accrual has been made as of 30 September 2021 and as of 31 December 2020.

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 recognised.

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 267 thousand as of 30 September 2021 (31 December 2020: EUR 717 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 11,272 thousand as of 30 September 2021 (31 December 2020: EUR 3,450 thousand). Guarantee letters received are mainly related with supplier agreements.

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 121,772 thousand) loan to Bilsev for the construction of the Karakurt dam and related HPP. As of 30 September 2021, USD 125,500 thousand (EUR 108,386 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 43,182 thousand).

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 30 September 2021.

EPas guarantee LE
EPas has issued a guarantee in favour of Komercni banka a.s. in connection with CZK 20,000 thousand (EUR 784 thousand) revolving facility for Litostroj Engineering a.s. The guarantee is for 100% of the drawn amount as of 30 September 2021.

EPV
Unicredit Bulbank AD has issued in name of EPES a bank guarantee to various subjects (IBEX EAD, ESO EAD) in the amount EUR 11,610 thousand as of 30 September 2021 (31 December 2020: 10,484 thousand).

RH
RH issued guarantee letters amounting to EUR 726 thousand as of 30 September 2021 (31 December 2020: EUR 1,889 thousand). Guarantee letters issued are mainly given to the EMRA, TEİAŞ and various electricity distribution institutions.

EPToptan
EPToptan issued guarantee letters amounting to EUR 129 thousand as of 30 September 2021 (31 December 2020: EUR 2,985 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 86 thousand as at 30 September 2021 (31 December 2020: 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").

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

f) Commitments

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

Management has made an assessment of the fair value of energy facilities, which are owned by consumers, which as at 30 September 2021 amounted to EUR 8,880 thousand (31 December 2020: EUR 9,581 thousand). The Management is unable to predict when energy facilities that are not redeemed by 30 September 2021 will be purchased.

In 2020 a company from the 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 Group has committed to purchase these facilities after they have been finished. The Management of the company is not in a position to reliably assess these capital commitments as it does not have information on the expected value of the facilities to be built. The average value of the connected facilities for the period 2019 – 2021 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 30 September 2021, and 31 December 2020, EPG and EPGG was in compliance with the above undertaken commitments and made sufficient investments to be in compliance with the investment plan.

19. 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.

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). 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 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. As at 30 September 2021 and 31 December 2020, the Group is not exposed to credit risk to related parties

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, 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.

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 did not use in 2020 and nine months of year 2021 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.

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.

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.

Price risk. As the Group operates on a regulated market, the Management is not able to influence the decisions of regulatory authorities. For the companies of the Group operating in the free market, price risk is associated with the ability to find new clients by securing normal profit transactions. The Management monitors and controls the prices at which electricity is supplied.

20. 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 of 30 September 2021, are as follows:

(EUR'000)	**Carrying amount**	Fair Value	Interest	**Total Fair Value**
4% Notes due 2022	380,476	369,523	12,043	381,566
4.5% Notes due 2024	253,192	248,723	4,592	253,315
Total	**633,668**	618,246	16,635	**634,881**

Carrying amounts and estimated fair values of financial instruments as of 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
Total	**624,034**	603,187	8,402	**611,589**

21. Business performance – Segment accounts

For the periods from 1 January to 30 September 2021 and 2020, the Group reports results broken down into the main operating business segments, which are represented in the following tables. Please find a more detailed description of the individual companies in Note 1 - ENERGO-PRO Group and its operations.

(i) Other Business includes companies EPas, MGW, EPInsaat EPToptan, OPPA and EP Colombia for the period ended 30 September 2021 (31 December 2020: EPas, MGW, EPInsaat, EPToptan, OPPA).

(ii) Distribution & Supply ("D&S") – Georgia – EPG contains the following companies: EPG, EPGH and EPGS for the period ended 30 September 2021.

The following table shows the Income statement (business performance) of individual companies of the Group for the period ended 30 September 2021:

(EUR'000)	D&S Bulgaria EPV	Generation Bulgaria EPB	D&S Georgia EPG (ii)	Generation Georgia EPGG	Generation Turkey RH	Other businesses (i)	Intra-group	TOTAL
Revenue	**446,952**	**28,233**	**209,020**	**21,595**	**12,881**	**48,377**	**(72,179)**	**694,879**
Other income / (expense)	-	1,695	6,403	5,077	686	778	(4,096)	**10,543**
Changes in inventory of products and in work in progress	-	-	-	-	-	(799)	799	**-**
Capitalized own products and own services	-	-	-	-	-	-	-	**-**
Purchased power	(334,587)	(3,631)	(126,593)	(899)	(732)	(3,188)	57,178	**(412,452)**
Services expenses	(34,785)	(2,740)	(4,204)	(4,604)	(2,657)	(9,734)	7,921	**(50,803)**
Labour costs	(24,156)	(2,452)	(13,521)	(1,521)	(1,647)	(6,337)	-	**(49,634)**
Materials expenses	(1,670)	(181)	(590)	(31)	-	(22,361)	8,318	**(16,515)**
Other tax expenses	(365)	-	(1,989)	(762)	(136)	(1,470)	-	**(4,722)**
Other operating expenses	(1,193)	(1,622)	(3,183)	(1,083)	(19)	(11,884)	62	**(18,922)**
EBITDA	**50,196**	**19,302**	**65,343**	**17,772**	**8,376**	**(6,618)**	**(1,997)**	**152,374**
Depreciation and amortization	(17,278)	(2,367)	(9,569)	(2,081)	(1,229)	(753)	-	**(33,277)**
EBIT	**32,918**	**16,935**	**55,774**	**15,691**	**7,147**	**(7,371)**	**(1,997)**	**119,097**

The following table shows the Other items of individual companies of the Group as of 30 September 2021 which are important for management decision making process:

(EUR'000)	D&S Bulgaria EPV	Generation Bulgaria EPB	D&S Georgia EPG (ii)	Generation Georgia EPGG	Generation Turkey RH	Other businesses (i)	Intra-group	TOTAL
Total non-current assets	190,654	69,447	176,504	115,164	46,879	726,183	(392,738)	**932,093**
Total current assets	171,914	7,847	75,764	9,635	6,903	124,083	(121,967)	**274,179**
TOTAL ASSETS	**362,568**	**77,294**	**252,268**	**124,799**	**53,782**	**850,266**	**(514,705)**	**1,206,272**
Capital Expenditures	12,755	1,274	20,037	9,911	-	1,912	-	**45,889**
Number of employees (FTE)	2,398	126	5,556	483	102	395	-	**9,060**

The following table shows the Income statement (business performance) of individual companies of the Group for the period ended 30 September 2020:

(EUR'000)	D&S Bulgaria EPV	Generation Bulgaria EPB	D&S Georgia EPG	Generation Georgia EPGG	Generation Turkey RH	Other businesses (i)	Intra-group	TOTAL
Revenue	**327,900**	**13,493**	**146,404**	**19,268**	**26,032**	**84,771**	**(50,785)**	**567,083**
Other income / (expense)	-	1,179	2,937	622	1,871	418	(1,375)	**5,652**
Changes in inventory of products and in work in progress	-	-	-	-	-	(1,412)	1,412	-
Capitalized own products and own services	-	-	-	-	-	-	-	-
Purchased power	(222,334)	(1,194)	(119,720)	-	(562)	(2,084)	32,539	**(313,355)**
Services expenses	(25,273)	(1,417)	(3,153)	(4,412)	(3,465)	(51,540)	7,871	**(81,389)**
Labour costs	(27,423)	(1,980)	(13,968)	(1,495)	(1,473)	(6,088)	-	**(52,427)**
Materials expenses	(2,242)	(198)	(735)	(37)	-	(17,170)	10,413	**(9,969)**
Other tax expenses	(367)	-	(1,167)	(558)	(219)	(465)	-	**(2,776)**
Other operating expenses	4,016	(943)	(1,660)	(420)	-	(11,429)	-	**(10,436)**
EBITDA	**54,277**	**8,940**	**8,938**	**12,968**	**22,184**	**(4,999)**	**75**	**102,383**
Depreciation and amortization	(17,280)	(2,500)	(10,811)	(1,767)	(1,677)	(975)	-	**(35,010)**
EBIT	**36,997**	**6,440**	**(1,873)**	**11,201**	**20,507**	**(5,974)**	**75**	**67,373**

The following table shows the Other items of individual companies of the Group as of 31 December 2020 which are important for management decision making process:

(EUR'000)	D&S Bulgaria EPV	Generation Bulgaria EPB	D&S Georgia EPG	Generation Georgia EPGG	Generation Turkey RH	Other businesses (i)	Intra-group	TOTAL
Total non-current assets	185,026	70,538	161,818	75,510	56,882	696,105	(372,704)	**873,175**
Total current assets	138,307	4,329	28,768	17,024	6,323	121,374	(95,094)	**221,031**
TOTAL ASSETS	**323,333**	**74,867**	**190,586**	**92,534**	**63,205**	**817,479**	**(467,798)**	**1,094,206**
Capital Expenditures	15,347	1,311	16,745	7,310	79	5,186	-	**45,978**
Number of employees (FTE)	2,406	128	5,578	462	99	429	-	**9,102**

22. Events after the reporting period

On 14 October 2021, EPas and DKHI entered into a share purchase agreement governed by Czech law (the "Turkish HPPs Share Purchase Agreement"). Pursuant to the Turkish HPPs Share Purchase Agreement, EPas agreed to purchase and acquire from DKHI 100% of direct shareholdings in EPHD and EPTD, thereby acquiring 100% of indirect shareholdings in Murat and Bilsev, respectively. The Proposed Acquisition is subject to a number of conditions precedent, including consents or waivers from lenders under the existing project financings. Upon closing of the transaction, EPas will acquire 100% ownership of the Alpaslan 2 and Karakurt HPPs. The purchase price shall be payable by the set off of mutual receivables held by EPas against DKHI.

No other significant events have occurred since the balance sheet date that would have an impact on these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved for issue and signed on behalf of the Board of Directors and the EP Group's Management on 5 January 2022.

Mr. Vlastimil Ouřada
Finance Director and Member of the Board of Directors
ENERGO-PRO a.s.