



ENERGO-PRO

A large, dynamic splash of blue water is the central visual element, extending from the top of the blue band down to the bottom of the white band. It features a main splash with several smaller droplets and ripples, creating a sense of movement and freshness.

**ANNUAL
REPORT**

2021





“WORKING IN
COMPLIANCE
WITH NATURE”



ENERGO-PRO



CONTENTS

	INDEPENDENTS AUDITOR'S REPORT	6
	MESSAGE FROM THE CEO	11
1.	ENERGO-PRO GROUP AT A GLANCE	14
2.	SUSTAINABILITY PRIORITIES	20
3.	FINANCIAL AND OPERATIONAL HIGHLIGHTS ENERGO-PRO GROUP	24
4.	BUSINESS ACTIVITIES	28
4.1	ENERGO-PRO IN BULGARIA	29
	ENERGO-PRO VARNA EAD	30
	ENERGO-PRO BULGARIA EAD	32
4.2	ENERGO-PRO IN GEORGIA	34
	ENERGO-PRO GEORGIA HOLDING JSC	35
4.3	ENERGO-PRO IN TURKEY	39
	RESADIYE HAMZALI ELEKTRİK ÜRETİM ŞANAYİ VE TİCARET A.Ş.	40
4.4	OTHER BUSINESSES	42
5.	ORGANISATIONAL STRUCTURE OF ENERGO-PRO GROUP AS OF 31 DECEMBER 2021	44
6.	CONTACT DETAILS	46
7.	ENERGO - PRO a.s. IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021	48



INDEPENDENTS AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of ENERGO - PRO a.s. and its controlled undertakings ("the Company"; together with controlled undertakings "the Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company and the Group, see Note 1 and Note 2 to the consolidated financial statements.

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



Jiří Křepelka, Auditor
License No. 2163

4 April 2022
Prague, Czech Republic



Rehabilitation of Distribution Grid in Georgia

MESSAGE FROM THE CEO

Ladies and gentlemen,

ENERGO-PRO Group experienced a significant year in 2021. Operational results reached exceptional output in terms of EBITDA and we have every reason to be optimistic about the future. We were challenged by several factors, mainly related to volatility on electricity markets and the COVID-19 pandemic. Despite this, our operations continued without interruption. We adapted our daily work to address quarantine measures and other challenges. We were able to keep our employees safe by making health and safety our number one priority, while our distribution companies in Bulgaria and Georgia continued to provide stable energy supplies to our customers. We remained dedicated to delivering on our commitment to sustainable development, the protection of the environment and the well-being of communities living in areas affected by our operations. We recognise the role that ENERGO-PRO and other large corporations can play in tackling global challenges such as climate change, pandemics, inequality, loss of biodiversity and climate-related natural disasters.

The main strategic changes and development from last year are introduced below.

CEO transition described by ENERGO-PRO founder, Mr. Jaromir Tesar

"Mr. Petr Z. Milev was appointed to serve as Group Chief Executive Officer on 1 May 2021. This appointment follows my decision to step down from an active management role and focus primarily on strategy and business development. Petr Milev has been with the Group since 2013 as a senior advisor and a member of the Supervisory Board of ENERGO - PRO a.s. and the boards of various Group companies. Prior to joining ENERGO-PRO, Petr spent 13 years in financial services in various CEO, board and senior management roles. I am convinced that Petr is the best person to lead the Group going forward."

Validating our focus on green energy

We made a significant step forward in fulfilling our commitment to sustainability and the deployment of ambitious environmental, social and governance standards ("ESG"). Almost all our generated electricity is already carbon-free, and the carbon footprint of our distribution and supply business is modest. We believe that hydropower generation will play a key role in decarbonisation efforts, placing it centrally in efforts to reach decarbonisation targets and becoming carbon-neutral by 2030.

In 2021, we joined the United Nations Global Compact and as such committed ourselves to supporting the Ten Principles. We also implemented new policies to enhance our sustainability performance and created KPI's aligned with the United Nations Sustainable Development Goals. These sustainable commitments apply to all of our operations and are integral to each strategic decision. An ESG Committee was established and is made up of five members of our senior management. This committee met for the first time in November 2021 and plans to meet four times a year. The mandate of the Committee is to drive ESG and sustainability, identify priorities and assess and resolve challenges and risks. We also appointed senior staff as ESG Focal Points across our Group companies. Finally, we received our first ESG rating from Sustainalytics (an independent global ESG researcher and data provider), achieving a medium risk rating which places us in the 25th lowest percentile of risk among electric utilities.

Business highlights in our territories

In Georgia, legal unbundling of our distribution and supply business became effective on 1 July 2021. Operational results of our distribution business in Georgia improved significantly due to inclusion of compensation for previous periods in applicable tariffs, while our Georgian generation business continued to liberalise its hydropower portfolio. Our Bulgarian distribution business achieved one of its strongest EBITDA results in past years, mainly due to strong leadership and the precise management of its supply portfolio at a time of huge price volatility. Our generation business in Bulgaria also increased generation volumes due to improved hydrology in the territory. On the other hand, Turkish output was lower due to adverse hydrology. Consolidated results exceeded an EBITDA of EUR 200 million, the highest result in the history of the Group. At the beginning of 2022, we issued U.S. Dollar denominated Eurobonds in the amount of USD 435 million (due 2027). The proceeds of the issuance were used to repay our existing EUR 370 million Eurobonds (due 2022). I sincerely thank all ENERGO-PRO colleagues, our customers and partners for these excellent results, and our continued cooperation.

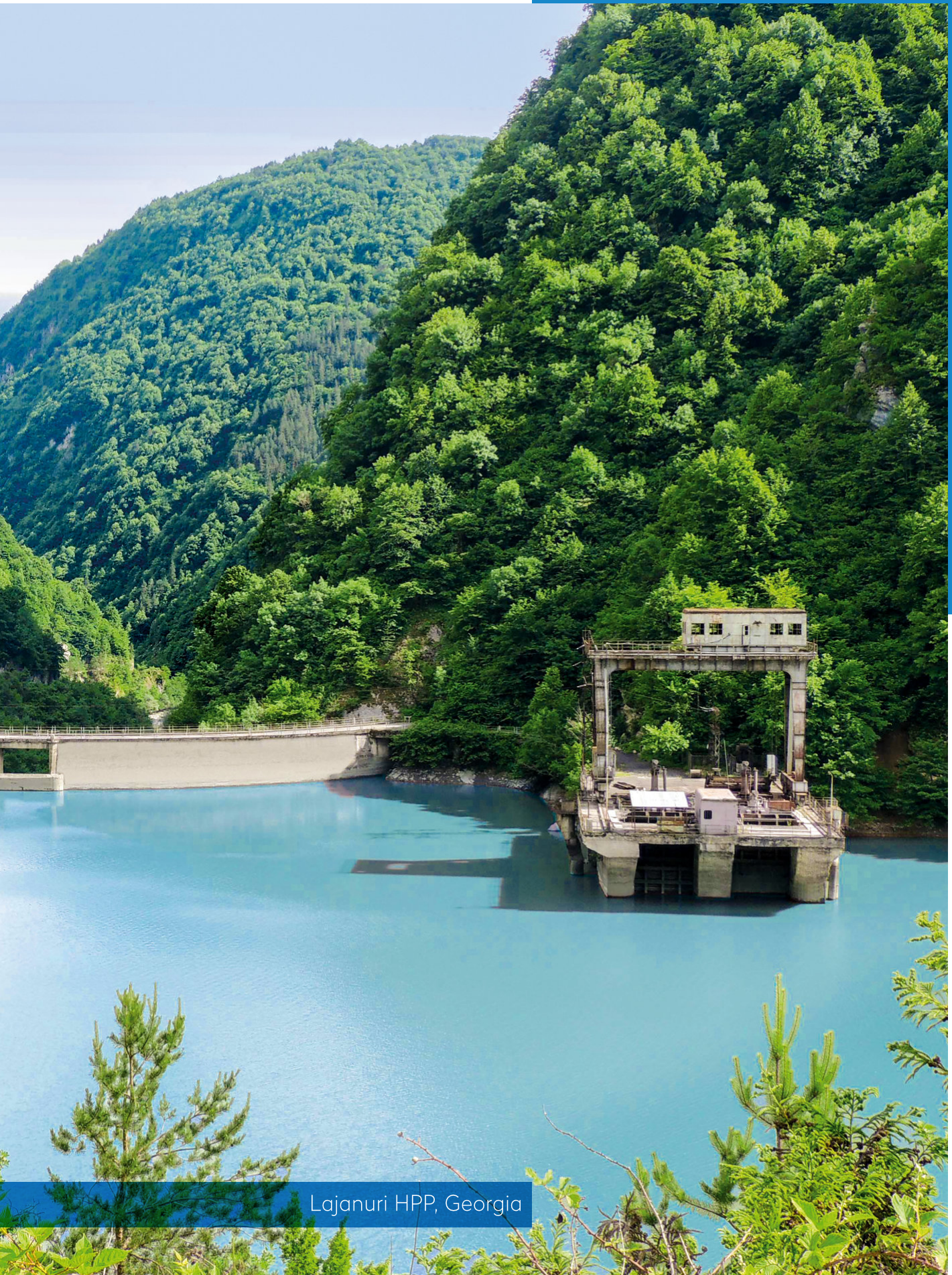
Looking ahead

The Group will continue in its strategy focused on maintaining and enhancing free cash flows from its existing hydropower generation and electricity distribution assets, always in keeping with the principles of sustainability and in line with the Group's ESG policies and best practices. Looking ahead, in today's difficult world, our focus will be on geographical and product diversification together with continuous improvement, building a resilient and sustainable business and a more sustainable future for our employees, communities and the planet.



Petr Z. Milev

CEO and Member of the Board of Directors
ENERGO - PRO a.s.



Lajanuri HPP, Georgia



ENERGO-PRO GROUP AT A GLANCE

Mission

Working in Compliance with Nature

Vision

To position ourselves as a leading hydropower operator and distributor and supplier of electricity in the countries where we operate, meeting energy demand and serving the needs of an actively developing regions.

Presence in Countries

Czech Republic / Bulgaria / Georgia / Turkey / Colombia



Profile

We focus on the ownership and operation of generation facilities and distribution grids in Black Sea region and Colombia in South America. We follow a strategy of international expansion by building up our asset base and developing it over the long term.

We own, operate, and manage hydroelectric power plants (“HPPs”) and infrastructure networks for the distribution and supply of electricity. Our business is conducted in a responsible way in order to achieve a stable financial return balanced with long-term growth and the fulfilment of our commitments to the community and the environment.

Core Values

Integrity

Integrity is one of the key values in conducting our activities. We lead by taking a stand for what we believe is right and complying with the law, ENERGO-PRO's Code of Conduct and corporate policies and standards.

Respect

We respect each other and our partners and stakeholders and are aware that we work in a multicultural environment. We create an environment enabling all our staff to treat each other with respect.

Transparency

We value transparency in all business undertakings, reporting and verbal communication.

Ethics

We are committed to high ethical standards. We take responsibility and accountability for each of our individual actions and decisions and behave professionally during our daily activities, whether it is dealing with our business partners or working in a sustainable manner.

Operational Excellence

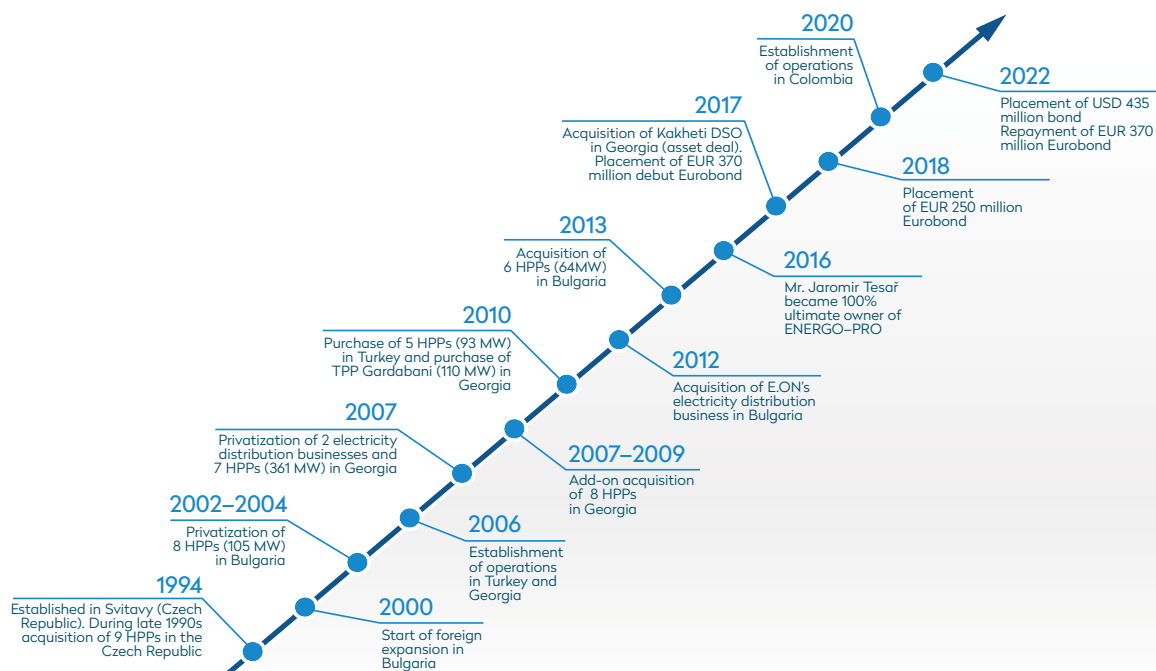
We strive to achieve operational excellence across our businesses, with particular focus on safety, efficiency and reliability across generation, distribution and supply activities in all our countries of operations.

Facts and Figures

- › Established in 1994 in Svitavy, Czech Republic
- › Main focus on the Black Sea region and an establishing presence in Colombia
- › The largest utility in Georgia and the largest privately-owned generator of electricity from hydropower in Bulgaria
- › The total installed capacity of 857 MW (34 hydropower plants with an installed capacity of 747 MW and a gas turbine power plant with an installed capacity of 110 MW)
- › Environmentally-friendly power generation of 2.5 TWh (with 99% of electricity generated from hydropower sources)
- › Serving more than 2.5 million grid customers with 10.4 TWh of electricity distributed in Georgia and Bulgaria
- › Over 9,000 employees
- › Engaged in international power trading

Historical Milestones

ENERGO-PRO Group (“ENERGO-PRO” or the “Group”) has built a carefully selected portfolio of high-quality, cashflow generating assets with limited capital expenditures requirements over the past 25 years through accretive acquisitions and access to capital markets. Here are the most important milestones in the development of the Group:



Strategic Priorities

ENERGO-PRO's strategy is focused on generating stable, predictable cash flows from electricity distribution and hydropower generation assets, as well as on selective expansion through development or acquisitions.

<p>ENHANCING GENERATION AND DISTRIBUTION ASSETS</p>	<p>Distribution & Supply (“D&S” segment)</p> <p>Carrying out various rehabilitation and re-metering projects throughout ENERGO-PRO's coverage area</p> <ul style="list-style-type: none"> › Reducing commercial grid losses › Improving the distribution network and quality of supply › Smart grid implementation 	<p>Hydro Generation (“Generation” segment)</p> <p>Cost-effective rehabilitation and modernisation program</p> <ul style="list-style-type: none"> › Increasing the efficiency of hydropower plants › Improving the reliability and safety of hydropower plants › Prolonging the service lifetime of hydropower plants
<p>FURTHER INCREASING FINANCIAL STABILITY AND FLEXIBILITY</p>	<ul style="list-style-type: none"> › Consistently aiming to improve profitability by remaining focused on cost reduction while benefiting from the revenue-stabilising effects of regulated tariffs › Geographical and segment diversification, ability to tightly control and adjust discretionary capital expenditures, and a simple capital structure › More flexibility in raising capital and deploying funds to strategic projects. 	
<p>GROWTH THROUGH SELECTIVE ACQUISITIONS AND DEVELOPMENT</p>	<ul style="list-style-type: none"> › Development-based growth in markets with characteristics favourable for the hydropower sector, as well as adding additional renewable power generation capacity to certain existing assets to optimise operations › Leveraging operational expertise and knowledge of the markets in which the Group currently operates › Diligent and disciplined approach to acquisitions with regards to the strategic fit, purchase price, and opportunities to achieve synergies 	
<p>INTEGRATING ESG ASPECTS INTO THE GROUP'S DAY-TO-DAY OPERATIONS</p>	<ul style="list-style-type: none"> › The Group aims to further increase its commitment to sustainable development, the protection of the environment, and the well-being of the communities living in the areas of influence of the Group's investments › The focus will be on introduction of external reporting, becoming carbon-neutral by 2030, and establishing and implementing a Decarbonisation Plan › Introducing the first Sustainability Report in 2022, in compliance with Global Reporting Initiative (“GRI”) › Supporting the Ten Principles of the United Nations Global Compact, committing to advancing the Sustainable Development Goals and reporting to the UN Global Compact through the UN Communication on Progress 	



Distribution Network, Georgia

021



SUSTAINABILITY PRIORITIES

ENERGO-PRO is committed to sustainable development and to the well-being and protection of communities living in the areas of influence of our investments. We recognise that the policies and practices that we adopt today will shape not only our lives but also those of future generations. Therefore, we believe it is vital to prioritise sustainability and to integrate it in our global strategy and business model and our day-to-day operations.

Due to our commitment to sustainability and reporting we have adopted a responsible approach to business, systematically integrating sustainability in our design, construction and operations with a view to ensuring long-term success. In 2021, we prepared and rolled out a Code of Conduct and new policies, including a Sustainability Policy¹ aligned with Good International Industry Practices (“GIIP”) aimed at ensuring sustainable fairness through a rigorous process of planning, implementation, evaluation, control and monitoring.

ENERGO-PRO's Sustainability Commitments

Leadership

From company board to employees, we demonstrate leadership and commitment to achieving sustainable outcomes and applying our Sustainability Policy, principles, rules and standards in decision making and day-to-day activities. Our leaders are accountable for driving our policies and standards.

Climate Change

We recognise the need to tackle climate change by avoiding and reducing emissions of heat-trapping greenhouse gases and we are committed to reducing our climate impact. In order to better understand our impact on climate change we initiated a greenhouse gas inventory which will culminate in the establishment of science-based targets and a decarbonisation plan for all our business units.

Environment and Biodiversity

The integration of biodiversity protection, natural habitats and ecosystems is a key aspect during the planning and development of our projects. We monitor water, air quality, noise and biodiversity on a regular basis and set targets for continuous improvement of environmental and biodiversity performance. We monitor compliance with GIIP and commitments. We comply with all binding laws regarding climate change and work with partners to improve global climate conditions.

Governance

We do not tolerate any form of corruption or unethical conduct. We apply the highest standards of honesty and integrity across all our operations in all business dealings with governments, partners and communities. We encourage all staff and contractors to report all suspicious behaviour regarding bribery or corruption.

Communities

We consider the protection of community land and assets, cultural and archaeological sites, community health and safety as key aspects of sustainability when designing and developing projects. We ensure and encourage the workforce to report all social incidents and grievances and undertake timely investigations, remedial actions and take appropriate measures to avoid reoccurrences. We promote open, transparent, inclusive and constructive engagement, particularly with the communities, including women, the elderly, and vulnerable people in all matters that concern them and have regard to community participation in decision-making. We develop Local Content approaches and where possible ensure that staff and contractors develop targets regarding local employment, training, and local procurement.

¹ All ENERGO-PRO's policies are available on <http://www.energo-pro.com/en/policies>.

Human Resources

We recognise the importance of creating and maintaining a positive working environment. We endeavour to attract high calibre employees and ensure that all employees and contractors work in a safe environment and are treated with respect and fairness. We are guided by the principles recognised by the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the Voluntary Principles of Security and Human Rights, and the declaration of the International Labour Organization on Fundamental Principles and Rights at Work. We forbid the use of forced, bonded and child labour in all our operations and encourage inclusion and diversity in the workforce. We treat all the workforce with respect and not tolerate any form of sexual harassment, discrimination, bullying or violence. We maximise employment opportunities and capacity building from the local communities and regions. We recognise the responsibility of our staff, contractors and sub-contractors to respect human rights as an integral aspect of ESG and sustainability.

ENERGO-PRO's ESG Rating

On 14 October 2021, ENERGO-PRO Group received an ESG Risk Rating of 27.4 from Sustainalytics GmbH¹ and was assessed to be at Medium risk of experiencing material financial impacts from ESG factors (the "ESG Rating"). The ESG Rating² puts ENERGO-PRO in the top 25th percentile among all utilities as it ranked 153rd out of 635 utilities and in the top 17th percentile among electric utilities as it ranked 46th out of 287 electric utilities.

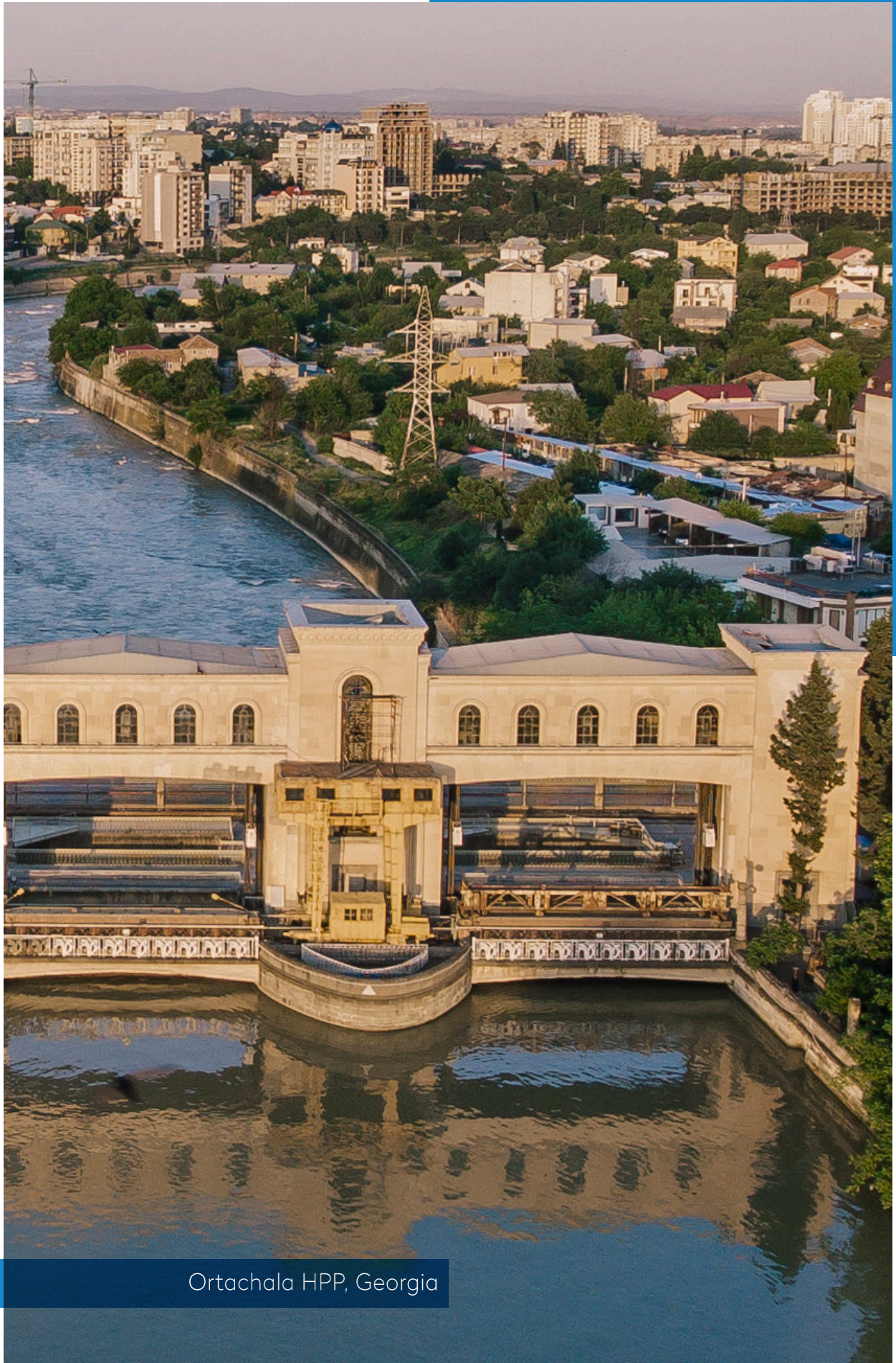
We are proud to create a strong brand by building a resilient corporate culture and employee engagement across ENERGO-PRO operations.

¹ Sustainalytics, a Morningstar Company, provides high-quality, analytical environmental, social and governance research, ratings and data to institutional investors and companies on a global level.

² The ESG Rating is available on: <https://www.sustainalytics.com/esg-rating/energo-pro%20as/1035726453>

Copyright ©2022 Sustainalytics. All rights reserved.

This section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions



Ortachala HPP, Georgia

03



FINANCIAL AND
OPERATIONAL
HIGHLIGHTS
ENERGO-PRO GROUP

Financial data are based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Highlights

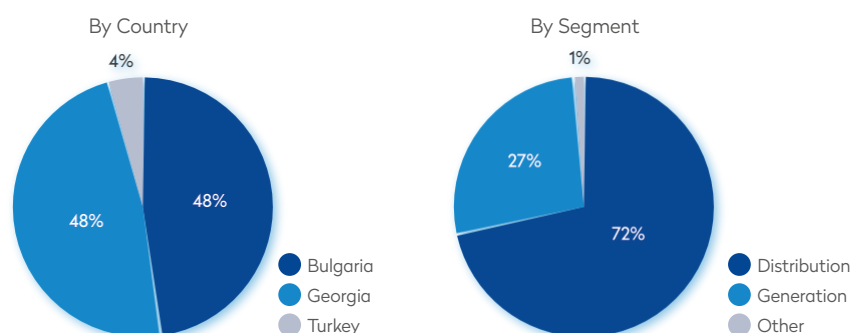
(EUR'000)	2019	2020	2021
Total Revenues	824,703	758,351	1,071,591
EBITDA	138,490	108,158	206,701
Income before tax	61,892	2,568	105,401
Income tax expense	(9,504)	(1,976)	(3,237)
Net Income	52,388	592	102,164
Total Assets	1,108,257	1,094,206	1,257,127
Property, Plant and Equipment	479,573	422,378	468,116
Cash & Cash Equivalents	16,589	17,677	34,216
Total Debt	638,430	662,727	673,117
Total Equity	306,460	265,107	403,734
Capital Expenditures	71,866	45,978	70,111
Generation of electricity (GWh)*	2,501	2,231	2,451
Distributed electricity (GWh)	10,473	10,053	10,412
Supplied electricity (GWh)	10,839	10,626	11,219
Number of connection points ('000)	2,465	2,490	2,514
Number of employees	9,210	9,102	9,152

* Includes hydropower plant generation and generation of gPower (thermal power plant "TPP")

Group EBITDA Development

The Group's EBITDA for 2021 amounted to EUR 206.7 million, a significant increase of EUR 98.5 million compared to 2020 mainly due to higher distribution and supply tariffs in Georgia as well as improved generation and higher merchant prices in Bulgaria.

Group EBITDA Split¹ (2021)

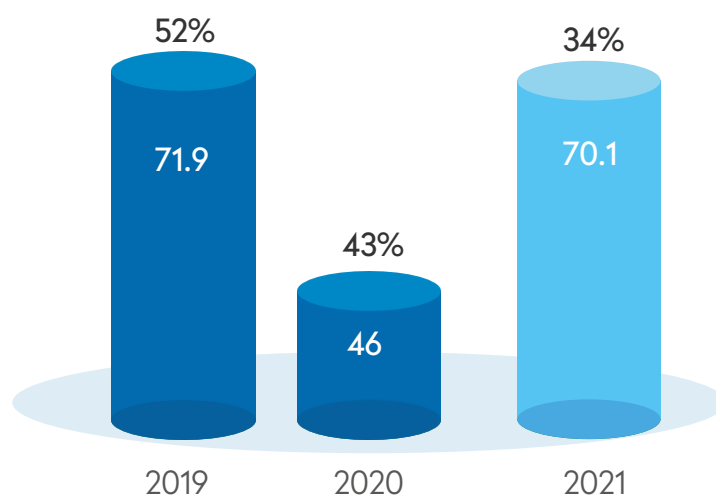


¹ EBITDA breakdown by country shows only hydropower generation in Bulgaria, Georgia and Turkey and D&S segment in

Investments

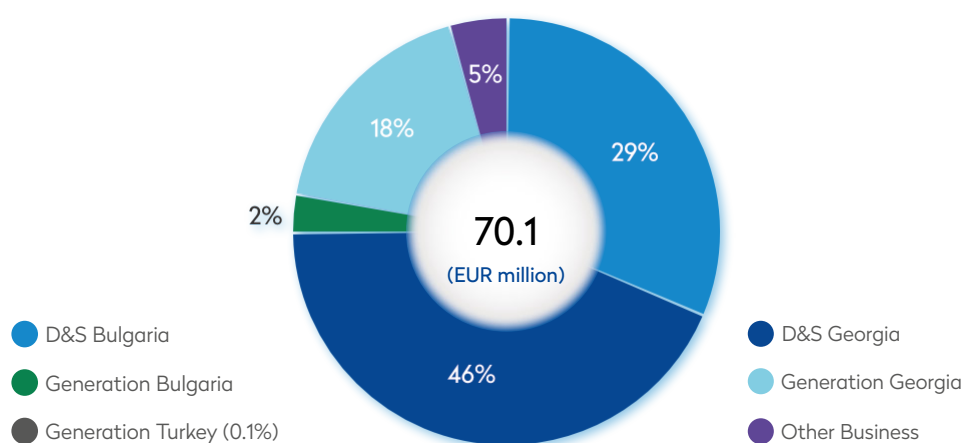
The majority of the Group's Capital expenditures or "CAPEX" is related to its distribution business, specifically network upgrades and new connection construction, in both Bulgaria and Georgia. The Group's hydropower plants are very long-life assets with relatively low on-going maintenance expenditures and larger, periodic rehabilitation projects at long time intervals. This provides the Group with flexibility to adjust its capital expenditure schedule in time. In the future, the Group expects to continue investing in the modernisation of its distribution networks in order to further reduce grid losses, improve the quality of the networks as well as customer satisfaction, and also in the general rehabilitation of its hydropower portfolio.

CAPEX Development (in EUR million), CAPEX to EBITDA (in %)



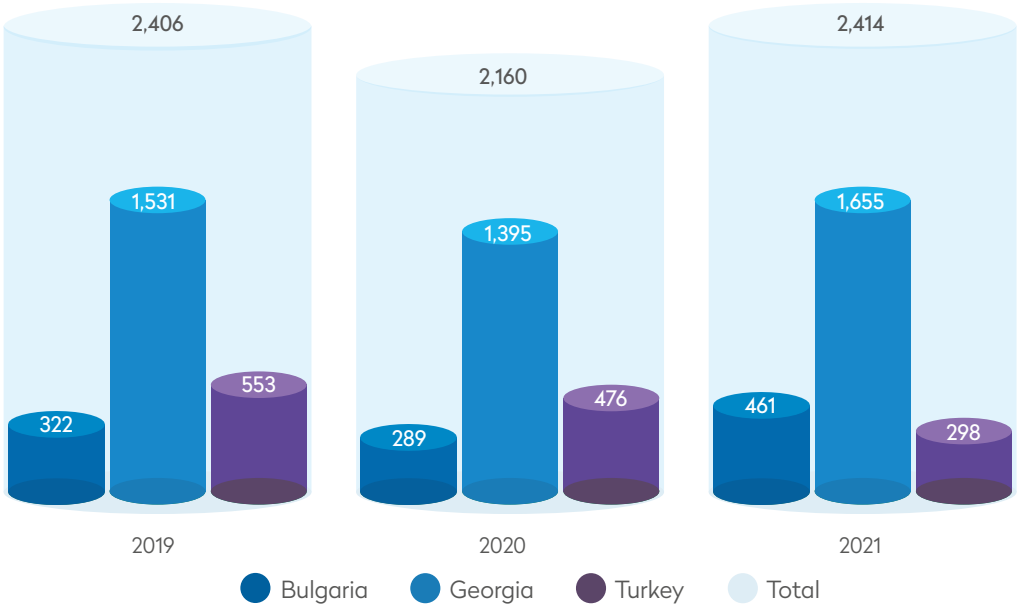
The Group's capital expenditures for 2021 amounted to EUR 70.1 million, increased by EUR 24.1 million compared to 2020. Capital expenditures were reduced in 2020 in response to uncertainty and lower economic activity caused by COVID-19.

CAPEX Segmentation (2021)



ENERGO-PRO has a well-invested asset base and an efficient deployment of investment programme, underpinned by the long-life cycle of its hydropower plants.

Annual Hydropower Generation (GWh)



Geographic diversification of the generation portfolio reduces ENERGO-PRO's hydrology-driven volatility.



04 |

BUSINESS ACTIVITIES



4.1 ENERGO-PRO IN BULGARIA

ENERGO-PRO VARNA EAD

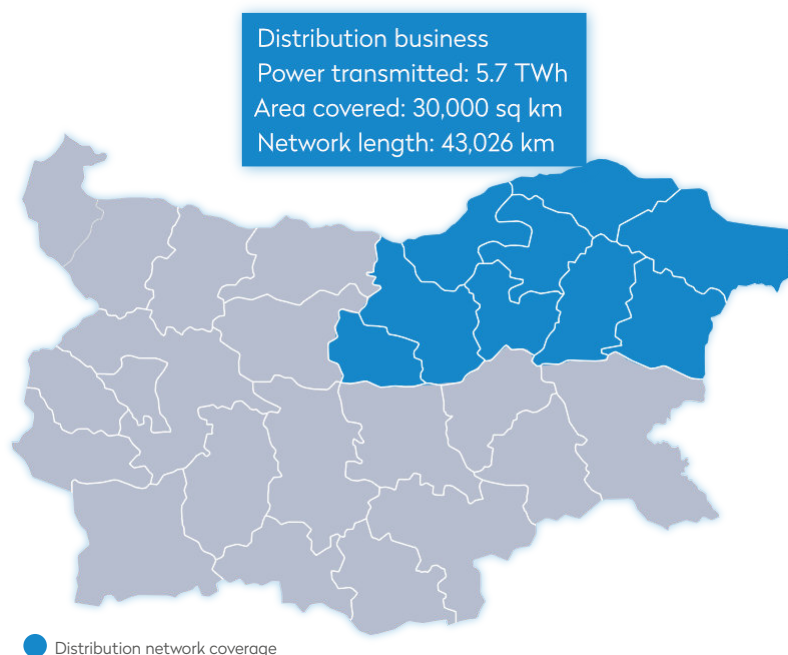
Distribution and Supply Segment

ENERGO-PRO Varna EAD (“EP Varna”) has been part of the ENERGO-PRO Group since June 2012. The business of the company is focused on distribution and supply of electricity. EP Varna operates in North-eastern Bulgaria through its subsidiary companies, holding licenses for the following activities in the energy sector:

- › Distribution of electricity – **Electrodistribution North AD** (regulated market)
- › Electricity supply – **ENERGO-PRO Sales AD** (regulated market)
- › Electricity supply – **ENERGO-PRO Energy Services EAD** (free market)

The licenced territory of Electrodistribution North AD (“EDC North”) and ENERGO-PRO Sales AD (“EP Sales”) is nearly 30,000 square kilometres and covers nine administrative regions in North-eastern Bulgaria - Varna, Veliko Tarnovo, Gabrovo, Dobrich, Razgrad, Ruse, Silistra, Targovishte and Shumen. EDC North’s principal business activities are the operation of the electricity distribution grid (middle and low voltage) and distribution of electricity. The total length of the distribution network is 43,026 km, with 5.7 TWh of distributed electricity in 2021. EP Sales supplies electricity to more than one million customers and provides related services. ENERGO-PRO Energy Services EAD (“EP Energy Services”) sells electricity to customers across Bulgaria at freely negotiated prices and is one of the leading suppliers and wholesale traders on the liberalised market. The company has long-standing experience and was among the first traders registered on the Bulgarian electricity market. The company also acts as the business coordinator for the standard balancing group.

EP Varna - Distribution network coverage



Financial and Operational Highlights

Financial data are based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Highlights

(EUR'000)	2019	2020	2021
Total Revenues	469,642	451,658	736,588
EBITDA	69,657	63,636	79,431
Income before tax	48,484	41,873	58,684
Income tax expense	(4,984)	(3,987)	(5,633)
Net Income	43,500	37,886	53,051
Total Assets	276,736	323,333	410,784
Total Equity	193,257	222,652	262,534
Capital Expenditures	23,005	15,347	20,386
Distributed electricity (GWh)*	5,645	5,515	5,739
Supplied electricity (GWh)**	6,459	6,584	7,350
Number of connection points ('000)*	1,228	1,232	1,233
Number of employees	2,347	2,406	2,411

* EDC North

** EP Sales AD + EP Energy Services

Business Overview & Key Figures

In 2021, EP Varna distributed 5.7 TWh of electricity and supply volume reached 7.4 TWh. A substantial part of the supplied electricity of 4.3 TWh was realised by EP Energy Services on the free market. EBITDA amounted to EUR 79.4 million, an increase of EUR 15.8 million compared to 2020. The increase was mainly due to (i) a higher portion of supplied electricity realised on the free market with higher average sales price, (ii) an increase in the distribution tariffs (regulated market) since 1 July 2021 when the sixth regulatory period started, and (iii) the recovery of the Bulgarian electricity market from the extraordinary situation with COVID-19 in 2020.

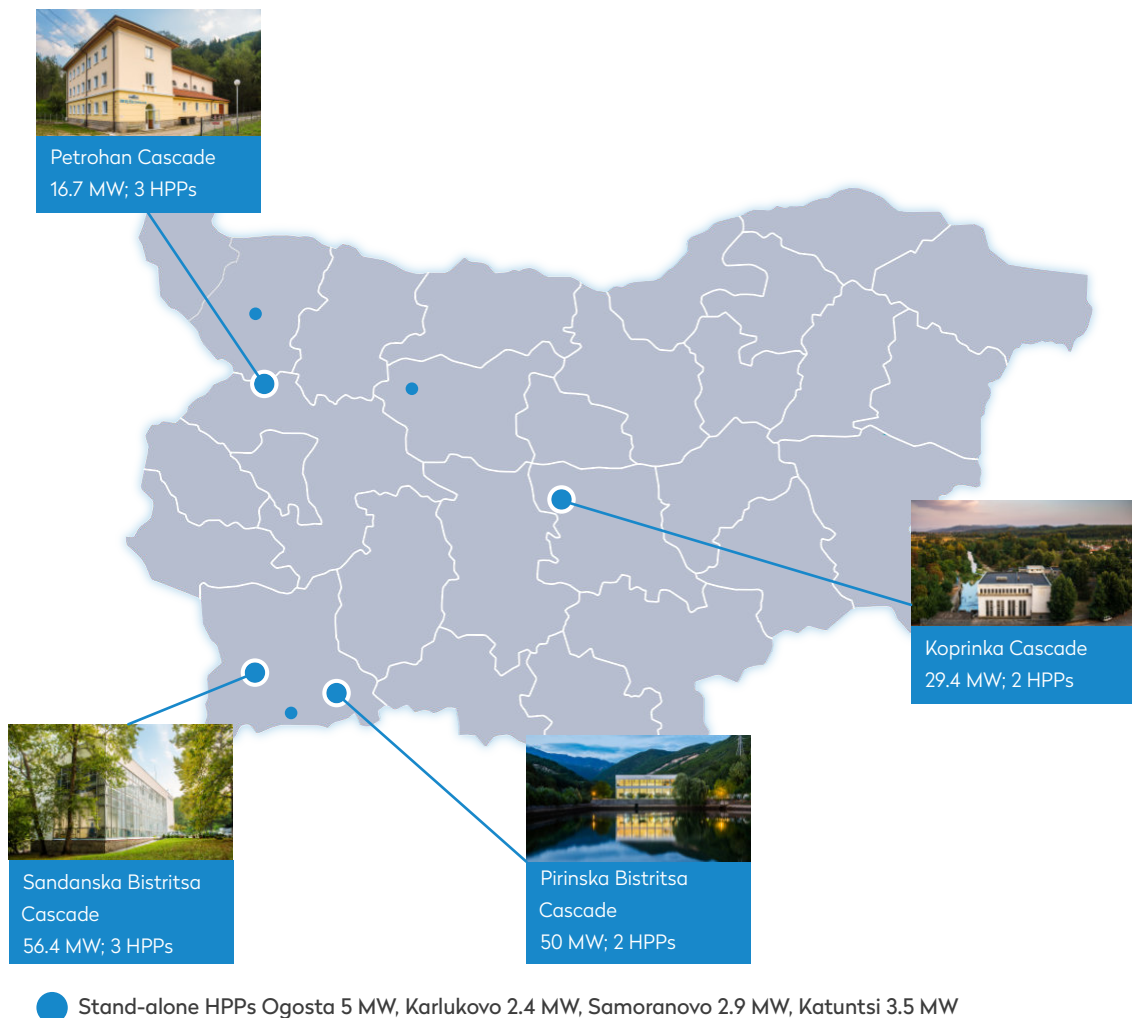
ENERGO-PRO BULGARIA EAD

Generation Segment

ENERGO-PRO Bulgaria EAD ("EP Bulgaria") is the largest private producer of electricity from hydropower sources in Bulgaria in terms of total installed capacity of 166 MW. EP Bulgaria was established in 2000, and currently owns and operates 14 hydropower plants. Ten of these plants are united in four cascades - Sandanska Bistritsa Cascade, Pirinska Bistritsa Cascade, Koprinka Cascade and Petrohan Cascade.

The priority of EP Bulgaria is to increase power generation levels and to improve the reliability of its hydropower plants through cost-effective investments in rehabilitation and modernisation. The company has already achieved stable growth in production rates through technical operation excellence, optimisation of workflow and minimisation of unprocessed water losses. The company is a pioneer participant in the free electricity trade and has established itself as a reliable and flexible source of electricity in the region.

EP Bulgaria's Hydropower Plant Portfolio



Financial and Operational Highlights

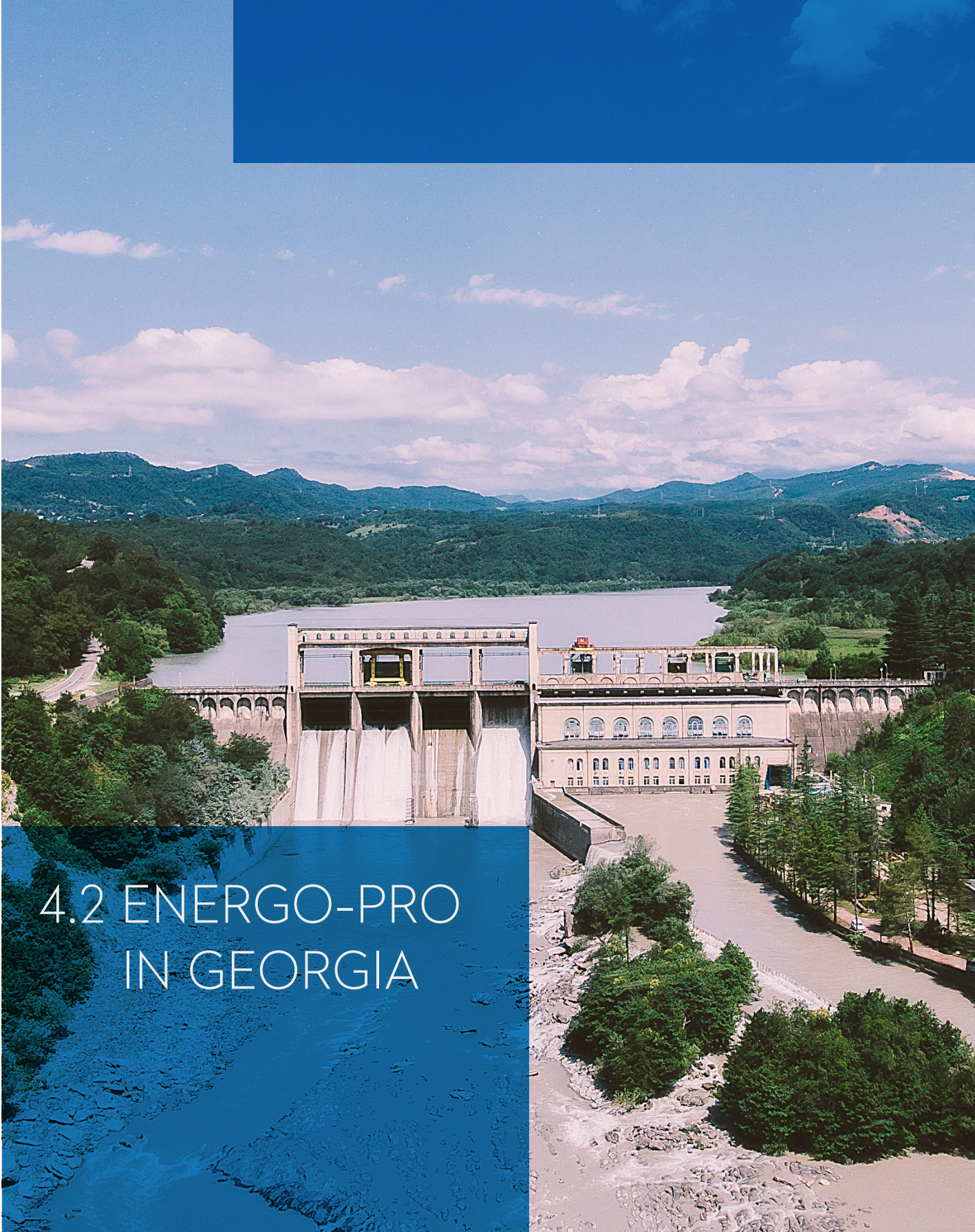
Financial data are based on the audited Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Highlights

(EUR'000)	2019	2020	2021
Revenues	18,822	16,675	46,603
EBITDA	10,001	10,150	26,130
Income before tax	1,585	6,912	22,895
Income tax expense	(740)	116	(2,346)
Net Income	845	7,028	20,549
Total Assets	77,283	74,867	83,944
Total Equity	72,968	71,491	76,854
Capital Expenditures	2,951	1,311	1,625
Generation of electricity (GWh)	322	289	461
Number of employees	132	128	127

Business Overview & Key Figures

In 2021, EP Bulgaria generated 461 GWh of electricity, an increase of 172 GWh compared to 2020. EBITDA amounted to EUR 26.1 million, an increase of almost EUR 16 million compared to 2020. This improvement was result of more favourable hydrological conditions (especially in the first half of 2021) and higher merchant prices (especially in the second half of 2021).



4.2 ENERGO-PRO IN GEORGIA

ENERGO-PRO GEORGIA HOLDING JSC

ENERGO-PRO Georgia Holding JSC (“EPG Holding”) was established in April 2021 to become a holding company for the Group’s Georgian energy assets in response to legislative and regulatory requirements in Georgia. EP Georgia Holding’s principal business activity is a provision of management and shared services. EP Georgia Holding owns interests in the following companies¹:

- › Distribution of electricity – **ENERGO-PRO Georgia JSC** (regulated market)
- › Electricity supply – **EP Georgia Supply JSC** (regulated market)
- › Generation of electricity – **EP Georgia Generation JSC** and **gPower LLC** (regulated/free market)

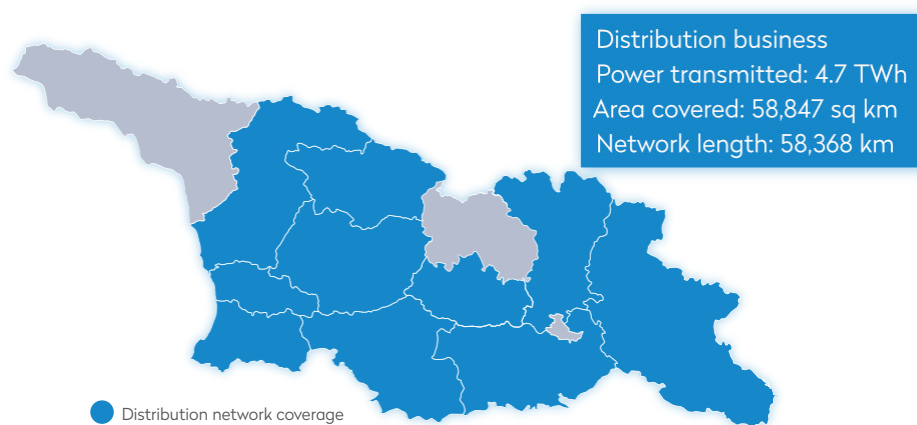
ENERGO-PRO GEORGIA JSC and EP GEORGIA SUPPLY JSC

Distribution and Supply Segment

ENERGO-PRO Georgia JSC (“EP Georgia”) was established in 2006 and is the largest energy distribution company in Georgia in terms of the number of customers served and its sales and services territory. EP Georgia operates and maintains an electricity distribution network in Georgia with total length of 58,368 km. The licensed area covers approximately 85 per cent of Georgia’s territory, which includes the whole country except for the capital Tbilisi and regions not controlled by the Government of Georgia. EP Georgia provided power to more than one million customers and distributed over 4.7 TWh of electricity in 2021. The company has made substantial investments in the modernisation and maintenance of its assets, such as continuous electricity grid rehabilitation and individual re-metering projects through its coverage area.

EP Georgia Supply JSC (“EPG Supply”) was established in May 2021 to carry out supply activities as a result of the legal unbundling of distribution and supply activities of EP Georgia. EPG Supply provides electricity to regulated customers within the territory of EP Georgia network and is also nominated as “supplier of last resort”².

EP Georgia - Distribution Network Coverage



¹ Upon the establishment of EPG Holding, ENERGO - PRO a.s. (parent company of the Group) contributed 49.9% of EP Georgia and EPG Generation shares in its capital. ENERGO - PRO a.s. intends to contribute its remaining shares of EP Georgia and EPG Generation into EPG Holding in 2022, after which EPG Holding will wholly own EP Georgia and EPG Generation, in addition to EPG Supply.

² EPG Supply is nominated as “supplier of last resort” until 1 January 2023 which obliges EPG Supply to provide electricity to those customers who either (i) do not have an electricity supplier or (ii) were purchasing electricity on the free market but their electricity provider has subsequently left the free market.

Financial and Operational Highlights

Financial data are based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Highlights

(EUR'000)	2019*	2020*	2021**
Revenues	224,288	191,150	302,190
EBITDA	14,197	2,513	80,174
Income before tax	(3,392)	(21,616)	63,092
Income tax expense	-	-	-
Net Income	(3,392)	(21,616)	63,092
Total Assets	227,274	190,586	277,971
Total Equity	147,326	98,446	184,629
Capital Expenditures	34,532	16,745	32,408
Distributed electricity (GWh)	4,828	4,538	4,674
Supplied electricity (GWh)	4,380	4,042	3,869
Number of connection points ('000)	1,237	1,258	1,281
Number of employees	5,690	5,578	5,611

* Data for the year 2020 and 2019 include EP Georgia and gPower LLC

** Data for the year 2021 include EPG Holding, EP Georgia, and EPG Supply from 2021 (related to legislative changes from 2021)

Business Overview & Key Figures

In 2021, EP Georgia distributed 4.7 TWh of electricity and supply volume reached 3.9 TWh. EBITDA amounted to EUR 80.2 million, increasing by EUR 77.7 million compared to 2020, reflecting the start of the third regulatory period on 1 January 2021, and the related substantial increase in distribution and supply tariffs which included full compensation for underperformance in previous years. The third regulatory period will end on 31 December 2025 and the compensation is included in tariffs for the years 2021-2023.

EP GEORGIA GENERATION JSC

Generation Segment

EP Georgia Generation JSC (“EPG Generation”) was incorporated in 2016 after the reorganisation of EP Georgia’s assets in response to the legal unbundling of the Georgian energy market (legal separation of distribution and generation activities). EPG Generation’s principal activity is the generation of electricity from its portfolio of 15 hydropower plants with a total installed capacity of 487 MW.

Starting from April 2021, the company also holds gPower LLC (“gPower”), which owns and operates the Gardabani gas turbine power plant (previously a subsidiary of EP Georgia) with an installed capacity of 110 MW. gPower provides guaranteed reserve capacity to ensure stability, security and reliability of Georgia’s unified electricity system.

EPG Generation’s Hydropower Plant Portfolio and gPower



● HPPs with installed capacity below 20 MW
(Ortachala 18 MW; Atsi 18.4 MW; Chkchori 6 MW; Kinkisha 0.9 MW)

Financial and Operational Highlights

Financial data are based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Highlights

(EUR'000)	2019	2020	2021*
Revenues	25,392	22,356	31,607
EBITDA	16,975	13,720	24,066
Income before tax	12,461	7,267	23,568
Income tax expense	-	-	-
Net Income	12,461	7,267	23,568
Total Assets	109,358	92,534	136,575
Total Equity	83,686	73,175	109,672
Capital Expenditures	9,244	7,310	12,541
HPP Generation of electricity (GWh)	1,532	1,395	1,655
Number of employees	479	462	483

* Data for EPG Generation and gPower (gPower included from 2021)

Business Overview & Key Figures

In 2021, EPG Generation generated 1,655 GWh of electricity, an increase of 260 GWh compared to 2020. This was in line with its long-term average generation. EBITDA amounted to EUR 24.1 million, an increase of almost EUR 10.3 million compared to 2020. This improvement was primarily the result of higher free market electricity prices (in the second half of 2021) together with normalised hydrological conditions, as well as the transfer of gPower to EPG Generation from EP Georgia.

The liberalisation of EPG Generation's hydropower plants continued in 2021 according to the approved schedule. Shaori hydropower plant started selling its generated electricity in the free market in January 2021 and Rioni hydropower plant will be deregulated in May 2022. EPG Generation's remaining regulated hydropower plant portfolio¹ will be gradually liberalised by 2027. Free market power prices substantially exceed regulated prices in Georgia.

¹ Gumati Cascade in 2024; Dzevrula HPP in 2026 and Lajanuri HPP in 2027.



4.3 ENERGO-PRO IN TURKEY

RESADIYE HAMZALI ELEKTRİK ÜRETİM ŞANAYİ VE TİCARET A.Ş.

Generation Segment

Reşadiye Hamzali Elektrik Üretim Şanayi Ve Ticaret A.Ş. ("Resadiye Hamzali") was founded in 2010 and is headquartered in Ankara. Resadiye Hamzali is focused on the operation of five hydropower plants and selling electricity on the Turkish electricity market. Its total installed capacity is 93 MW.

Three of Resadiye Hamzali's hydropower plants are united in the Reşadiye cascade with an aggregate installed capacity of 64.3 MW. Hamzali hydropower plant (16.7 MW) is located in Kalecik, a district of the city of Kırıkkale, using the water resources of the Kızılırmak River. Aralık hydropower plant (12.4 MW) is located in Borcka, a district of the city Artvin, near the Aralık creek.

Resadiye Hamzali's Hydropower Plant Portfolio



Financial and Operational Highlights

Financial data is based on the audited Consolidated Financial Statements prepared in accordance with IFRS. All figures, unless otherwise stated, are in EUR thousand as of 31 December of each year and for the year then ended.

Highlights

(EUR'000)	2019	2020	2021
Revenues	39,149	35,254	14,674
EBITDA	32,723	26,151	9,138
Income before tax	13,120	(6,816)	(37,483)
Income tax expense	(2,726)	1,743	5,395
Net Income	10,394	(5,073)	(32,088)
Total Assets	82,367	63,205	41,266
Total Equity	(25,966)	(23,682)	(37,348)
Capital Expenditures	424	79	79
Generation of electricity (GWh)	553	476	298
Number of employees	99	99	87

Business Overview & Key Figures

In 2021, Resadiye Hamzali generated 298 GWh of electricity, a decrease of 178 GWh compared to 2020. EBITDA amounted to EUR 9.1 million, a decrease of EUR 17 million compared to 2020 as a result of: (i) lower generation caused by adverse hydrological conditions, and (ii) price effect as all Resadiye Hamzali hydropower plants were no longer eligible to benefit from the supporting "YEKDEM"¹ price mechanism (73 USD/MWh) and were selling its electricity on free market via Energy Exchange Istanbul² (EPIAŞ). The negative effect on EBITDA was partially compensated in the second half of 2021 as free market electricity prices in Turkey increased.

¹ YEKDEM – Renewable Energy Resources Support Mechanism – key regulatory support for renewable sources.

² EPIAŞ or Enerji Piyasaları İşletme A.Ş. – Energy Exchange Company responsible for managing and operating energy



4.4 OTHER BUSINESS

OPPA JSC GROUP ("OPPA")

OPPA has been part of ENERGO-PRO Group since 2014. OPPA provides fast payments and related financial services to companies and individuals in Georgia. Such services include maintenance of pay boxes, pay lines, the connection of Windows and Java platform terminals and other related services. OPPA is the market leader in Georgia, with a 46% market share.

ENERGO-PRO GÜNEY ELEKTRİK TOPTAN SATIŞ İTHALAT İHRACAT VE TİCARET A.Ş. ("EPToptan")

For more than 10 years, EPToptan has been engaged in cross-border electricity trading and supply of electricity to wholesale customers in the Turkish energy market. The cross-border trade involves mainly Bulgaria and Georgia due to the geographic focus of ENERGO-PRO Group.

ENERGO PRO İNŞAAT ŞANAYİ VE TİCARET A.Ş. ("EP Insaat")

EP Insaat was established in 2017 to provide project management and civil construction works primarily in relation to its affiliated Alpaslan II and Karakurt hydropower plants with dams. In 2021, EP Insaat's works in relation to these hydropower plants were completed.

ENERGO PRO TURKEY HOLDING A.Ş. ("EP Turkey Holding")

EP Turkey Holding was established in September 2021 to provide management and shared services (such as human resources, accounting, finance, controlling, legal and project management) to the ENERGO-PRO Group's companies in Turkey.

ENERGO-PRO COLOMBIA S.A.S. GROUP ("EP Colombia")

EP Colombia was established in 2019 and its main activities are identification and development of new hydropower projects in the country. EP Colombia is the parent company of Generadora Chorreritas S.A.S. E.S.P., which is engaged in a development of 20 MW run-of-river greenfield hydropower project located on San Andrés river (municipality of San Andrés, region of Antioquia). The project is already licensed and fully permitted, and development is almost completed. Construction is expected to commence in 2022.

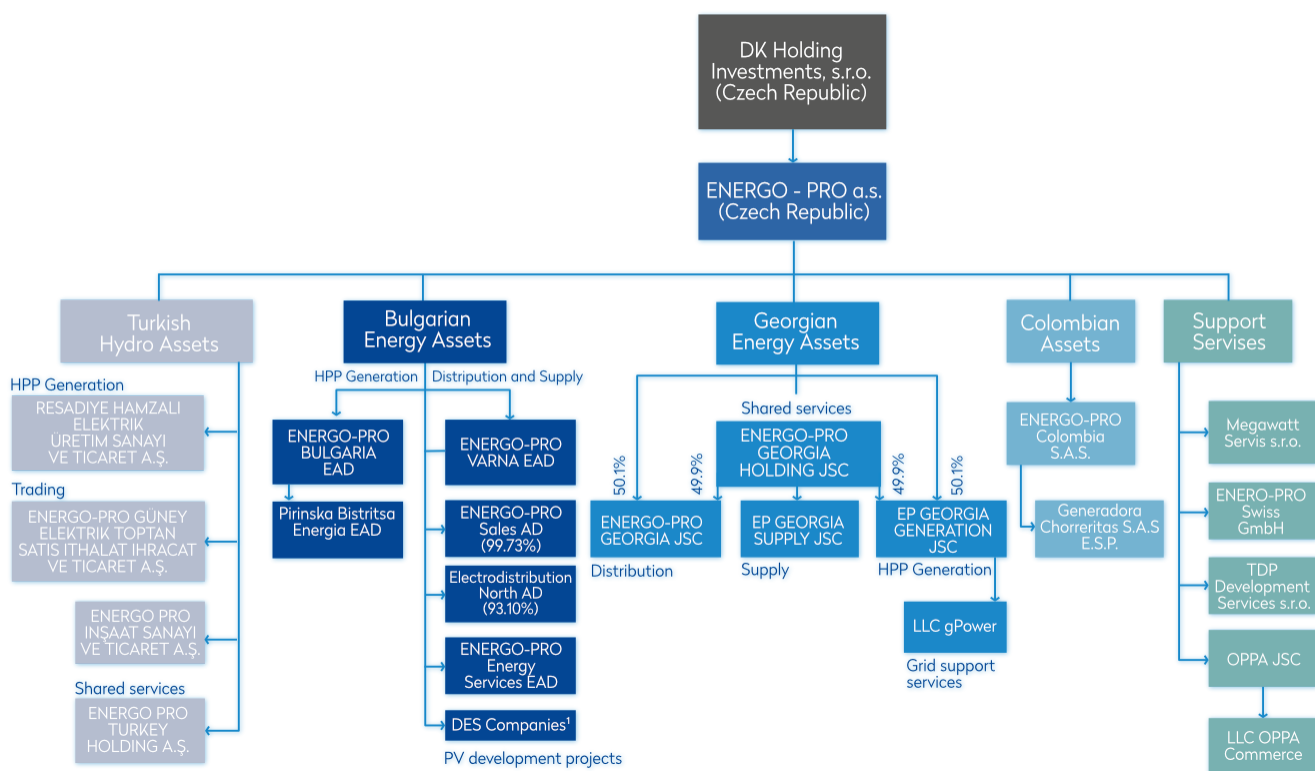
MEGAWATT SERVIS s.r.o. ("Megawatt")

Megawatt was established in 1994 in Prague, Czech Republic. The principal activities of Megawatt are a consultancy in hydro energy sector and the assembling of hydro-technical facilities. The know-how and specialised knowledge of Megawatt's experts are utilised within ENERGO-PRO Group and its affiliated companies.



ORGANISATIONAL STRUCTURE OF ENERGO-PRO GROUP

As of 31 December 2021



Ownership interests are 100% unless stated otherwise.

¹ DES Companies: DES 001 EOOD, DES 002 EOOD, DES 003 EOOD, DES 005 EOOD, DES 007 EOOD are SPVs established for solar development projects in Bulgaria. During February - March 2022, the companies changed their names as follows: DES 001 EOOD – ESV 001 EOOD, DES 002 EOOD – Tierra del Sol 002 EOOD, DES 003 EOOD – Sunny Land 003 EOOD, DES 005 EOOD – Solare 005 EOOD, DES 007 EOOD – ZEUS 007 EOOD.



CONTACTS DETAILS

ENERGO - PRO a.s.

Headquarters Prague Office

Na poříčí 1079/3a
110 00 Praha 1, Czech Republic
Phone: +420 222 310 245
E-mail: info@energo-pro.com
Web: www.energo-pro.com

ENERGO-PRO Varna EAD

Varna Towers, Tower G
258, Vladislav Varnenchik Bul.
9009 Varna, Bulgaria
Customer service:
Call center: 0700 161 61
E-mail: service@energo-pro.bg
Web: www.energo-pro.bg

ENERGO-PRO Bulgaria EAD

Perform Business Center
2, Pozitano Sq., fl. 5
1000 Sofia, Bulgaria
Phone: +359 2 981 7050
E-mail: bulgaria@energo-pro.com
Web: www.energo-pro.com

ENERGO-PRO Georgia Holding JSC

19 Zurab Anjaparidze Str.
0186 Tbilisi, Georgia
Phone: +995 53 2319 800
E-mail: info@energo-pro.ge
Web: www.energo-pro.ge

Resadiye Hamzali Elektrik Üretim Sanayi VE Ticaret A.Ş.

Besa Kule, Çukurambar Mah. 1480.
Sokak No:2 Kat:12
Çankaya/Ankara 06530, Turkey
Phone: +90 312 468 00 57
E-mail: turkey@energo-pro.com
Web: www.energo-pro.com.tr

OPPA JSC

15 Al. Kazbegi Ave.
0160 Tbilisi, Georgia
Phone: +995 32 2244 500
E-mail: info@oppa.ge
Web: www.oppa.ge

ENERGO-PRO COLOMBIA S.A.S.

Calle 37B, Las Brujas
Envigado, Medellín
Antioquia, Colombia
Phone: +57 304 6802051
Web: www.energo-pro.com

ENERGO-PRO Swiss GmbH

Zürcherstrasse 15
5400 Baden, Switzerland
Phone: + 41 56 544 35 31
E-mail: info@energo-pro.com
Web: www.energo-pro.com

07



ENERGO – PRO a.s.

CONSOLIDATED FINANCIAL STATEMENTS

1 JANUARY – 31 DECEMBER 2021

INTERNATIONAL
FINANCIAL REPORTING
STANDARDS

CONTENTS

Consolidated Statement of Financial Position	50	14. Cash and Cash Equivalents	98
Consolidated Statement of Comprehensive Income/ Comprehensive Income	51	15. Other Current Assets	98
Consolidated Statement of Changes in Equity	52	16. Share Capital	98
Consolidated statement of Cash-flows	53	17. Retained Earnings	98
Notes to the Consolidated Financial Statements		18. Non-current Financial Liabilities	99
1. ENERGO-PRO Group and its Operations	54	19. Other Non-current Liabilities	99
2. Summary of Significant Accounting Policies	65	20. Non-current and Current Provisions	100
3. Critical Accounting Estimates and Judgements in Applying Accounting Policies	78	21. Non-current and Current Borrowings	103
4. Adoption of New or Revised Standards and Interpretations	80	22. Trade and other payables	106
5. Balances and Transactions with Related Parties	84	23. Other Current Liabilities	106
6. Property, Plant and Equipment & Prepayments for property, plant and equipment	86	24. Service Expenses	106
7. Goodwill	87	25. Other Operating Expenses	107
8. Other Intangible Assets	91	26. Finance Costs – Net	107
9. Non-current and Current Issued Loans	93	27. Other Income/(Loss)	107
10. Non-current Financial Assets & Prepayment for an acquisition of investments	94	28. Income Taxes	108
11. Investments in associate	94	29. Dividends	110
12. Inventories	96	30. Contingencies and Commitments	111
13. Trade and Other Receivables and Contract assets	97	31. Financial Risk Management	114
		32. Fair Value of Financial Instruments	118
		33. Business performance – Segment accounts	119
		34. Events after the Reporting Period	121
		35. Authorisation by the Board of Directors	121

ENERGO - PRO a.s.
 Consolidated Statement of Financial Position
 For the period ended 31 December 2021

(EUR'000)	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	468,116	422,378
Prepayments for property, plant and equipment	6	4,661	-
Goodwill	7	56,252	54,837
Other intangible assets	8	21,799	29,581
Non-current financial assets	10	14,021	12,215
Investment in associate	11	28,315	27,523
Deferred tax assets	28	6,995	6,744
Non-current portion of Issued loans	9	341,820	317,262
Prepayments for an acquisition of investments	10	6,136	-
Other non-current assets		3,414	2,635
Total non-current assets		951,529	873,175
Current assets			
Inventories	12	24,186	25,118
Trade and other receivables and Contract assets	13	209,045	159,542
Current income tax asset		1,232	2,395
Current portion of Issued loans	9	3,395	915
Cash and cash equivalents	14	34,216	17,677
Other current assets	15	33,524	15,384
Total current assets		305,598	221,031
Total assets		1,257,127	1,094,206
EQUITY			
Authorised share capital	16	3,569	3,569
Translation reserve		(74,460)	(110,947)
Retained earnings	17	452,458	352,627
Equity attributable to the company's owners		381,567	245,249
Non-controlling interest		22,167	19,858
Total equity		403,734	265,107
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	3,187	6,201
Non-current Provisions	20	7,105	7,351
Non-current Borrowings	21	269,495	624,527
Non-current financial liabilities	18	2,486	3,350
Other non-current liabilities	19	5,190	5,962
Total non-current liabilities		287,463	647,391
Current liabilities			
Current Provisions	20	6,018	6,052
Trade and other payables	22	121,259	105,393
Income tax payable		3,944	170
Current Borrowings	21	403,622	38,200
Contract liabilities		11,395	13,566
Other current liabilities	23	19,692	18,327
Total current liabilities		565,930	181,708
Total liabilities		853,393	829,099
Total liabilities and equity		1,257,127	1,094,206

ENERGO - PRO a.s.
Consolidated Statement of Comprehensive Income
For the period ended 31 December 2021

(EUR'000)	Note	1 January - 31 December 2021	1 January - 31 December 2020
Revenue			
Sales of electricity in local markets		888,658	544,343
Cross border sales of electricity		60	361
Grid components of electricity sales price		124,618	114,811
Services and other		58,255	98,836
Total revenue		1,071,591	758,351
Other Income/(loss)	27	10,766	10,188
Changes in inventory of products and in work in progress		(521)	(190)
Capitalized own products and own services		-	-
Purchased power		(682,294)	(441,212)
Service expenses	24	(70,225)	(111,456)
Labour costs		(72,546)	(73,671)
Material expenses		(22,765)	(17,735)
Tax expenses		(8,685)	(4,621)
Other operating expenses	25	(18,620)	(11,496)
Earnings before financial expenses, taxes, depreciation and amortisation (EBITDA)¹		206,701	108,158
Depreciation and amortisation expense	6,8	(45,209)	(45,889)
Earnings before financial expenses and taxes (EBIT)		161,492	62,269
Finance income	26	17,662	16,804
Finance costs	26	(73,753)	(76,505)
Finance costs – net		(56,091)	(59,701)
Income before income tax (EBT)		105,401	2,568
Income tax	28	(8,751)	(4,612)
Deferred taxes	28	5,514	2,636
Total income tax expense		(3,237)	(1,976)
Profit/(loss) for the year		102,164	592
Profit/(loss) attributable to:			
- Owners of the company		99,760	(1,107)
- Non-controlling interest		2,404	1,699
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		36,503	(41,392)
Items that will not be reclassified to profit or loss:			
Actuarial loss		-	-
Gross amount		149	(487)
Tax effect		-	-
Net amount		149	(487)
Other comprehensive income/(loss)		36,652	(41,879)
Total comprehensive income/(loss)		138,816	(41,287)
Total comprehensive income attributable to:			
- Owners of the company		136,404	(42,963)
- Non-controlling interest		2,412	1,676

¹ EBITDA is a non-gaap measure in the 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.

ENERGO - PRO a.s.
 Consolidated Statement of Changes in Equity
 For the period ended 31 December 2021

Equity attributable to the company's owners

(EUR'000)	Authorised ("Unpaid") share capital	Translation reserve	Retained earnings	Total equity without non-controlling interest	Non- controlling interest	Total equity
As at 1 January 2020	3,569	(69,580)	354,285	288,274	18,186	306,460
Net income for the period	-	-	(1,107)	(1,107)	1,699	592
Other comprehensive income	-	(41,392)	(464)	(41,856)	(23)	(41,879)
Comprehensive income for the period	-	(41,392)	(1,571)	(42,963)	1,676	(41,287)
Other changes in equity	-	25	(87)	(62)	(4)	(66)
As at 31 December 2020	3,569	(110,947)	352,627	245,249	19,858	265,107
As at 1 January 2021	3,569	(110,947)	352,627	245,249	19,858	265,107
Net income for the period	-	-	99,760	99,760	2,404	102,164
Other comprehensive income	-	36,503	141	36,644	8	36,652
Comprehensive income for the period	-	36,503	99,901	136,404	2,412	138,816
Other changes in equity	-	(16)	(70)	(86)	(103)	(189)
As at 31 December 2021	3,569	(74,460)	452,458	381,567	22,167	403,734

ENERGO - PRO a.s.
 Consolidated Statement of Cash-flows
 For the period ended 31 December 2021

(EUR'000)	Note	1 January - 31 December 2021	1 January - 31 December 2020
Profit/(loss) before income tax		105,401	2,568
Adjusted for:			
Depreciation and amortization expense	6,8	45,209	45,889
Unrealised currency translation losses/(gains)		39,309	42,822
Interest income	26	(16,299)	(15,863)
Interest expenses	26	28,760	27,710
Changes in provisions and impairment		623	(8,256)
Assets granted free of charge		(466)	(765)
Inventory surplus		(777)	(1,225)
(Gain)/Loss on disposal of property, plant and equipment		1,965	1,232
Inventory obsolescence expense		569	731
Other changes - difference in rate of exchange, (Profits)/losses from shares in associates etc.		25	600
Cash inflow from operating activities before changes in operating assets and liabilities		204,319	95,443
Movements in working capital			
Decrease/(increase) in inventories	12	2,747	(2,697)
Decrease/(increase) in trade accounts receivable and contract assets	13	(63,005)	(18,096)
Decrease/(increase) in other current assets	15	(22,113)	(5,301)
Increase/(decrease) in trade and other payables and contract liabilities	22	3,424	14,131
Increase/(decrease) in other liabilities	23	(1,280)	9,092
Cash outflow from operating activities before interest income received, interest expense paid and income tax paid		124,092	92,572
Interest received		9	-
Income tax paid		(3,696)	(4,561)
Net cash (outflow)/inflow from operating activities		120,405	88,011
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	(70,111)	(45,978)
Proceeds from sale of property plant and equipment		-	-
Loans granted	9	(12,224)	(39,733)
Loans repaid	9	1,435	-
Net change in deposits granted		624	498
Acquisition of financial investment		(8,400)	(873)
Net cash outflow from investing activities		(88,676)	(86,073)
Cash flows from financing activities			
Proceeds from borrowings	21	1,189,309	211,435
Repayment of borrowings	21	(1,180,364)	(187,706)
Interest paid		(26,928)	(26,518)
Dividends paid to non-controlling interest		-	-
Dividends paid to the shareholders of the parent company		-	-
Net cash used in financing activities		(17,983)	(2,789)
Net increase/(decrease) in cash and cash equivalents		13,746	(851)
Cash and cash equivalents at the beginning of the year		17,677	16,589
Effect of exchange rate on changes on Cash and Cash equivalents		2,793	1,939
Cash and cash equivalents at the end of the year		34,216	17,677

Notes to the Consolidated Financial Statements

1. ENERGO-PRO Group and its 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.

Full organizational structure as of 31 December 2021 is available in Chapter 5 of this annual report.

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

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

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

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

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

- (i) In April 2021, EPas established the company ENERGO-PRO Georgia Holding JSC, in which holds 100% of share. At the same time, EPas contributed 49.9% of share of the companies JSC Energo-Pro Georgia and EP Georgia Generation JSC to the company ENERGO-PRO Georgia Holding JSC. EPas continues to own 50.1% of share in these companies. The change was realized based on legislative and regulatory requirements in Georgia.
- (ii) Based on the Share Purchase Agreement with the Parent company DKHI dated 26 February 2021, EPas became the single shareholder of ENERGO-PRO Swiss GmbH.
- (iii) In February 2021, EPas became the single shareholder of TDP Development Services s.r.o.
- (iv) Energo Pro Turkey Holding A.Ş. was established in September 2021 to provide management and shared services to the Group's companies in Turkey.

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

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

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

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

List of Group's power plants as of 31 December 2021 is as follows:

Hydro power plants	Installed capacity (MW)
Bulgaria:	
Koprinka	7
Stara Zagora	22
Popina Laka	22
Lilyanovo	20
Sandanski	14
Petrohan	8
Barzia	6
Klisura	4
Pirin	22
Spanchevo	28
Karlukovo	2
Ogosta	5
Katunci	3
Samoranovo	3
Total Bulgaria	166
Turkey:	
Resadiye I	16
Resadiye II	26
Resadiye III	22
Hamzali	17
Aralik	12
Total Turkey	93
Georgia:	
Atsi	18
Rioni	54
Lajanuri	114
Gumati I	48
Gumati II	23
Shaori	40
Dzevrula	80
Satskhenisi	14
Ortachala	18
Sioni	9
Martkopi	4
Chitakhevi	21
Zahesi	37
Chkhor	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:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EPGG is the parent company in the following entity:

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

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

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

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

JSC OPPA (“OPPA”)

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

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

OPPA is parent company of the following entity:

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

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

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

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

ENERGO-PRO Bulgaria EAD (“EPB”)

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

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

EPB is the parent company of the following entities:

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

- (i) Pirinska Bistricsa Kaskadi EAD owned 73.48 % of Pirinska Bistritsa Energia AD's share as of 31 December 2020.
(ii) As of 10 May 2021, the company Pirinska Bistritsa Kaskadi EAD merged into EPB and EPB acquired 73.48% of Pirinska Bistritsa Energia AD.

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

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

ENERGO-PRO VARNA EAD (“EPV”)

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

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

EPV is the parent company of the following entities:

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

In addition to the table above, as of 31 December 2021, EPV was 100% owner of the following companies established in October 2021: **DES 001 EOOD, DES 002 EOOD, DES 003 EOOD, DES 005 EOOD, DES 007 EOOD**. These companies are engaged in the activity of acquisition of real estate and renting/leasing (if needed) the properties in order to build and operate energy installations from renewable sources (solar and wind), design, development, construction and servicing the solar/ wind electrical systems as well as re-sale of such systems. The company DES 007 EOOD has 50% ownership in the company Sun Technologies 1 EOOD as of 31 December 2021. These companies have changed their names as follows:

DES 001 EOOD – ESV 001 EOOD from 16 February 2022,
DES 002 EOOD – Tierra del Sol 002 EOOD from 4 March 2022,
DES 003 EOOD – Sunny Land 003 EOOD from 16 February 2022,
DES 005 EOOD – Solare 005 EOOD from 16 February 2022,
DES 007 EOOD – ZEUS 007 EOOD from 16 February 2022.

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 Sanayi 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 31 December 2021 and 31 December 2020 was 2,411 and 2,406, respectively.

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

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

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

ENERGO-PRO Güney Elektrik Toptan Satış İthalat İhracat ve Ticaret A.Ş. ("EPToptan")

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

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

ENERGO PRO İnşaat Şanyı 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 İy Dere Elektrik Üretim Şanyı ve Ticaret A.Ş. to ENERGO PRO İnşaat Şanyı ve Ticaret A.Ş. The registered address of EP İnşaat is Besa Kule, Çukurambar Mahallesi 1480. Sokak No:2/12 Çankaya / Ankara, Turkey.

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

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

MEGAWATT SERVIS s.r.o. ("MGW")

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

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

ENERGO-PRO Colombia S.A.S ("EP Colombia")

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

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

EP Colombia is the parent company in the following entity:

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

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

ENERGO-PRO Swiss GmbH ("EP Swiss")

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

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

ENERGO-PRO Turkey Holding A.Ş. ("EP Turkey Holding")

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

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

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

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:

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

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

Name	Location	EPTD's ownership interest	
		31 December 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.Ş." which manages the Alpaslan II HPP & dam operation.

EPHD is the parent company in the following entity:

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

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

ENERGO-PRO Industries, s.r.o. (“EPI”)

EPI is a limited liability company established on 5 February 2014. The registered address 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:

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

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

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

LP Group unifies these entities:

- ▶ **Litostroj Power d.o.o.** (“LP”) is a limited liability company established in Slovenia. The registered address of the company is Litostrojska cesta 50, 1000 Ljubljana, Slovenia. The company is engaged in the design, powerplant engineering and manufacturing of power generation and industrial equipment thought its own production capacity and R&D department.
- ▶ **Litostroj Engineering, a.s.** (“LE”) is a joint-stock company established in the Czech Republic. The registered address of the company is Čapkova 2357/5, 678 01 Blansko, Czech Republic. As of 1 January 2019, the company changed its name from ČKD Blansko Engineering, a.s. to Litostroj Engineering, a.s. The company has its own hydraulic laboratory and continues the long tradition of Blansko in the research, development, supply and other services for the hydroelectric equipment.
- ▶ **Litostroj Hydro Inc.** (“LHI”) is a limited liability company established in Canada. The registered address of the company is Rue de Pacifique 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 31 December 2021, DKHI owns 95% of ownership and PT Solusi Global Sejahtera owns 5% of ownership.

Terestra-Bulgaria EOOD (“Terestra”)

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

TAKEDAKODON, s.r.o. (“Takedakodon”)

Takedakodon is a limited liability company established on 28 January 2013 with registered address of Na pořící 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 pořící 1079/3a, Nové Město, 110 00 Praha 1, Czech Republic, identification number of the EPGF is 09385801. The main activity of EPGF is the issuance and management of bonds. These bonds are registered on the Prague Stock Exchange.

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Management assessment of the Impact of COVID-19 pandemic

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

Governments across most of the world are currently removing all restrictive measures and situation is gradually returning to normal. a resurgence of infections, including of new variants of the virus, cannot be excluded, which may elicit further government response. to the extent that the response is similar to actions taken in the past two years this could again lead to a substantial decline in economic activity.

ENERGO-PRO Group's management continues to 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. 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 associates. Investments in associate. The Group applies accounting for an associate according to IAS 28. The Group recognises 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 are accounted 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. The income statement reflects the Group's share of the results of operations of the associate through the item Other income/(loss). The statement of cash-flows reflects the Group's share of the result of operation of the associate through the item (Income)/Loss share in associates.

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

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

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

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

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

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

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

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

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

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

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

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

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

And

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

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

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

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

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

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

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

General approach:

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

Simplified approach:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership

Of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

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

IFRS 16 was adopted by the EU on 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 31 December 2021, the Group reported right of use assets in the amount of EUR 7,446 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)	31 December 2021	31 December 2020
Non-Current Financial Liabilities (Note 18)	2,209	3,350
Other Current Liabilities (Note 23)	325	419
Total lease liabilities	2,534	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 licences and software	1 – 7 years
Other operating licences	3 – 7 years

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

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

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

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

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

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

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

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

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

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

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

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 year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign currency translation. The functional currency of each of the 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 year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

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

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

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

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

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

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

(a) Revenue from sale of electricity

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

(b) Revenue from sales of services

Revenue from sales of services comprise of the following services:

- › Connection fees - consists of charges received from customers and recognised immediately at the time of initial connection (without fixed period) to the electricity network system
- › Other – such as charges to reconnect customers, checking of electrical devices and other.
- › Sales of other services are recognised when the service is rendered. The Group transfers control over the services over time and therefore satisfies the obligation to perform and recognises revenue over time.

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

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

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

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

Some of the entities in the Group operate the grid 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. These calculations require the use of estimates as further detailed in Note 7.

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

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

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

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

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

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

(a) Grid access fee provision

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

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

(b) Provision for legal claims

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

(c) Provision for energy efficiency

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

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

IFRS 16 COVID-19 Related Rent Concessions (Amendment)

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

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

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

IFRS 4: Insurance Contracts (Amendments)

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

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

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. These amendments have no impact on the financial statements of the Group.

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

IFRS 17: Insurance Contracts

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

IFRS 17: Insurance Contracts (Amendments)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. 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 31 December 2021, the outstanding balances with related parties were as follows:

(EUR'000)	Shareholders	Entities under common control (i)
Current portion of issued loans	-	19
Non-current portion of issued loans	322,503	19,318
<i>of which: Principal</i>	274,181	15,787
<i>of which: Interest</i>	48,322	3,531
Prepayments for property, plant and equipment	-	4,043
Non-current financial fixed assets	-	11,761
Trade and other receivables	643	51,673
Inventories	-	5,564
Other current assets	-	382
Other non-current liabilities	-	3,273
Trade and other payables	-	489
Other current liabilities	-	1,644

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

(EUR'000)	Shareholders	Entities under common control (i)
Sales of electricity in local markets	-	228
Sales - services and other	6	25,465
Other Income	-	282
Purchased power	-	83
Services expenses	-	13
Materials expenses	-	4,211
Other operating expenses	-	25
Interest income	13,951	2,657
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
<i>of which: Principal</i>	264,932	15,544
<i>of which: Interest</i>	34,048	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 Hoing Investments, s.r.o.

6. Property, Plant and Equipment & Prepayments for property, plant and equipment

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

(EUR'000)	Land and Buildings	Technical plant and machinery	Other plant, furniture and fixtures	Assets under construction	Right of use	Other fixed assets	Total
Cost or valuation							
1 January 2020	88,347	667,465	16,631	34,537	3,562	16,290	826,832
Reclassification	30	6,644	94	(141)	-	1,276	7,903
Additions (+)	655	15,598	1,879	29,913	4,186	623	52,854
Transfers (+/-)	1,493	26,139	110	(27,953)	-	211	-
Disposals (-)	(204)	(4,291)	(491)	(2)	(423)	(119)	(5,530)
Difference in rate of exchange	(12,534)	(74,396)	(3,944)	(5,264)	(323)	(945)	(97,406)
31 December 2020	77,787	637,159	14,279	31,090	7,002	17,336	784,653
Reclassification	644	(470)	(168)	367	(45)	(373)	(45)
Additions (+)	2,945	15,442	1,483	45,611	399	1,915	67,795
Transfers (+/-)	339	35,712	1,076	(37,156)	-	29	-
Disposals (-)	(48)	(7,625)	(725)	(63)	(200)	(254)	(8,915)
Acquisition of subsidiaries (+)	-	-	-	(1,429)	-	-	(1,429)
Difference in rate of exchange	6,373	26,276	2,241	3,399	290	549	39,128
31 December 2021	88,040	706,494	18,186	41,819	7,446	19,202	881,187
Accumulated depreciation							
1 January 2020	(34,034)	(298,544)	(8,273)	15	(1,092)	(5,331)	(347,259)
Reclassification	(5)	(6,671)	9	-	-	(1,276)	(7,943)
Charge for the year (-)	(2,037)	(36,920)	(2,135)	(13)	(1,217)	(2,160)	(44,482)
Disposals (+)	32	3,800	373	2	22	89	4,318
Impairment loss (-) / Reversal of impairment (+)	218	-	-	-	-	-	218
Difference in rate of exchange	4,765	25,944	1,947	8	98	111	32,873
31 December 2020	(31,061)	(312,391)	(8,079)	12	(2,189)	(8,567)	(362,275)
Reclassification	596	(1,071)	110	-	-	365	-
Charge for the year (-)	(1,971)	(36,457)	(1,922)	(14)	(1,235)	(2,259)	(43,858)
Disposals (+)	30	5,616	455	1	119	727	6,948
Impairment loss (-)/Reversal of impairment (+)	115	-	-	-	-	-	115
Difference in rate of exchange	(2,628)	(9,970)	(1,225)	(8)	(110)	(60)	(14,001)
31 December 2021	(34,919)	(354,273)	(10,661)	(9)	(3,415)	(9,794)	(413,071)
Net book value							
31 December 2020	46,726	324,768	6,200	31,102	4,813	8,769	422,378
31 December 2021	53,121	352,221	7,525	41,810	4,031	9,408	468,116

Assets under construction include costs for distribution companies EPV and EPG for construction and connection of PPE from the investment program of the Group. Based on the review for impairment of PPE, the Group's management has not established indicators that the carrying amount of assets exceeds their recoverable amount.

Prepayments for property, plant and equipment in the amount of EUR 4,661 thousand (31 December 2020: EUR 0 thousand) are mainly linked to the rehabilitation and modernization of the distribution networks in EPG.

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

a) EPB Goodwill

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

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

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

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

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

b) EPGG Goodwill

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

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

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

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

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

c) OPPA Goodwill

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

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

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

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

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

d) RH Goodwill

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

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

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

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

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

e) EP Colombia Goodwill

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

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

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

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

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

f) EPG Goodwill

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

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

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

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

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

8. Other Intangible Assets

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

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Cost or valuation as at 1 January 2021	37,078	4,963	19,158	6	1,221	62,426
Reclassification	-	-	-	8	-	8
Additions (+)	3	469	-	44	163	679
Transfers (+/-)	8	7	-	(15)	-	-
Disposals (-)	-	-	-	-	(29)	(29)
Difference in rate of exchange	(9,843)	161	-	1	172	(9,509)
Cost or valuation as at 31 December 2021	27,246	5,600	19,158	44	1,527	53,575
Accumulated depreciation as at 1 January 2021	(10,407)	(2,903)	(19,055)	-	(480)	(32,845)
Reclassification	7	(7)	-	-	-	-
Charge for the year (-)	(937)	(212)	(53)	-	(149)	(1,351)
Disposals (+)	-	-	-	-	32	32
Impairment loss (+/-)	-	-	-	-	-	-
Difference in rate of exchange	2,531	(83)	-	-	(60)	2,388
Accumulated depreciation 31 December 2021	(8,806)	(3,205)	(19,108)	-	(657)	(31,776)
Net Book Value 31 December 2021	18,440	2,395	50	44	870	21,799

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

(EUR'000)	Electricity generation licenses	Software	Customer list	Assets under construction	Other	Total
Cost or valuation 1 January 2020	46,028	4,989	22,920	88	1,122	75,147
Reclassification	-	(20)	-	1	20	1
Additions (+)	101	120	-	6	367	594
Transfers (+/-)	1	87	-	(88)	-	-
Disposals (-)	-	-	(3,762)	-	(45)	(3,807)
Difference in rate of exchange	(9,052)	(213)	-	(1)	(243)	(9,509)
Cost or valuation 1 January 2020	37,078	4,963	19,158	6	1,221	62,426
Accumulated depreciation 1 January 2020	(11,450)	(2,765)	(22,762)	-	(484)	(37,461)
Reclassification	(33)	55	-	-	(20)	2
Charge for the year (-)	(956)	(314)	(53)	-	(83)	(1,406)
Disposals (+)	-	-	3,760	-	26	3,786
Impairment loss (+/-)	-	-	-	-	-	-
Difference in rate of exchange	2,032	121	-	-	82	2,235
Accumulated depreciation 31 December 2020	(10,407)	(2,903)	(19,055)	-	(480)	(32,845)
Net Book Value 31 December 2020	26,671	2,060	103	6	741	29,581

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

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

9. Non-current and Current Issued Loans

(EUR'000)	31 December 2021	31 December 2020
Non-current portion of issued loans:		
Shareholders - DKHI (i)	322,503	298,981
ENERGO-PRO MVE, s.r.o.	11,135	10,298
ENERGO-PRO Industries, s.r.o.	8,182	7,916
Other	-	67
Total non-current portion of issued loans	341,820	317,262
Current portion of issued loans:		
Taurus Konsult EOOD	780	577
Terestra OOD	2,561	207
ENERGO-PRO Industries, s.r.o.	19	18
Other	35	113
Total current portion of issued loans	3,395	915
Total issued loans	345,215	318,177

Movements in issued loans were as follows:

(EUR'000)	1 January–31 December 2021	1 January–31 December 2020
As at 1 January	318,177	266,924
Interest income accrued during the year (+)	14,652	13,348
Loans issued during the year (+)	12,224	39,733
Principal repayments (-)	(1,435)	-
Interest received during the year (-)	(9)	-
Exchange rate difference (+/-)	1,908	(1,850)
Other (+/-)	(302)	22
As at 31 December	345,215	318,177

10. Non-current Financial Assets & Prepayment for an acquisition of investments

Non-current Financial Assets

(EUR'000)	31 December 2021	31 December 2020
Receivable from Bilsev for corporate guarantee fee (i)	11,761	10,822
Investments Fund	1,154	-
Restricted bank deposit (ii)	60	821
Other	1,046	572
Total non-current financial assets	14,021	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 2021 and 31 December 2020 are pledged for guarantee letters given to electricity distribution companies, to Energy Market Regulatory Authority ("EMRA") and to the banks.

Prepayments for an acquisition of investments

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

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

11. Investments in associate

(EUR'000)	31 December 2021	31 December 2020
Portion of ownership in Berta 39.76% (2020: 49.00%) (i)	28,315	27,523
Total investments in associate	28,315	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 April 25, 2019, a license for electricity production was issued for a period of 49 years. On May 5, 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 30,919 shares or 49.00% of Berta's capital (TRY 63,100 million). On 25 October 2021, the General assembly of shareholders of Berta decided to increase Berta's share capital to TRY 76,766 million. EPV retained 30,919 shares or 39.76% of Berta's capital.

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. The associate had no contingent liabilities or capital commitments as of 31 December 2021 and 31 December 2020.

As of 31 December 2021, the associate has the following results related to non-audited Statement of financial position items: Non-current assets: EUR 5,884 thousand; Current assets: EUR 871 thousand; Non-current liabilities: EUR 0 thousand; Current liabilities EUR 1,828 thousand; Equity: EUR 4,928 thousand (31 December 2020: Non-current assets: EUR 5,602 thousand; Current assets: EUR 320 thousand; Non-current liabilities: EUR 19 thousand; Current liabilities EUR 2,250 thousand; Equity: EUR 3,653 thousand).

For the twelve months period ended 31 December 2021, the associate has the following results related to non-audited Statement of Comprehensive Income item represented by 39.76% portion of ownership of the Group (2020: 49.00%): Share of the Group on Loss before tax: EUR 193 thousand (2020: EUR 10 thousand).

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

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

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

12. Inventories

(EUR'000)	31 December 2021	31 December 2020
Prepayments for inventories	8,343	12,645
Electrical equipment	4,292	3,492
Cables and wires	3,498	2,786
Spare parts	1,860	1,776
Tools and bolts	1,930	1,215
Inventory related to Paybox Installation	1,108	562
Scrap & Damaged Inventory	401	507
Other (i)	2,754	2,135
Total inventories	24,186	25,118

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

Movements in inventories were as follows:

(EUR'000)	1 January–31 December 2021	1 January–31 December 2020
At the beginning of the period	25,118	23,348
Purchase of inventories (+)	24,728	18,828
Payment of prepayments for inventories (+)	12,276	13,476
Inventory differences (+/-)	777	1,225
Capitalisation of inventories (-) (i)	(17,745)	(10,881)
Use of prepayments for inventories (-)	(17,044)	(15,205)
Sale of inventories (-)	(4,838)	(4,360)
Exchange rate difference (+/-)	1,546	(1,154)
Impairment for inventories (+/-)	(632)	(159)
At the end of the period	24,186	25,118

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

13. Trade and Other Receivables and Contract assets

(EUR'000)	31 December 2021	31 December 2020
Distribution to commercial sector (i)	90,252	84,591
Contract assets (i)	60,102	45,428
Distribution to households	35,726	23,987
Receivables from transmission	2,862	2,303
Receivables from export sales	2	1,578
Receivables from electricity trading	-	1,561
Rent deposit	87	80
Other trade receivables	7,378	5,968
Less: provision for impairment	(10,307)	(11,404)
Total trade receivables	186,102	154,092
Guarantee deposits	21,052	4,218
Advance payments	1,172	-
Restricted bank deposit	464	594
Deposits granted	42	28
Other	213	610
Total trade and other receivables	209,045	159,542

Movements in inventories were as follows:

(EUR'000)	1 January—31 December 2021	1 January—31 December 2020
Provision for impairment at the beginning of the period	11,404	17,955
Impairment charge	2,424	2,077
Reversal of impairment during the year	(2,755)	(5,416)
Amounts written off during the year as uncollectible	(1,116)	(2,458)
Exchange rate difference	350	(754)
Provision for impairment at the end of the period	10,307	11,404

Analysis by credit quality of trade receivables is as follows:

(EUR'000)	31 December 2021	31 December 2020
Total neither past due not impaired:	163,705	131,954
Past due but not impaired		
- less than 30 days overdue	6,538	6,681
- 31 to 90 days overdue	4,635	9,785
- 91 to 180 days overdue	6,162	800
- over 181 days overdue	5,062	4,872
Total past due not impaired	22,397	22,138
Past due and impaired		
- current and impaired	28	18
- less than 30 days overdue	200	27
- 31 to 90 days overdue	339	252
- 91 to 180 days overdue	517	222
- over 181 days overdue	9,223	10,885
Total past due and impaired	10,307	11,404
Less: provision for impairment	(10,307)	(11,404)
Total current trade receivables, net	186,102	154,092

(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.

14. Cash and Cash Equivalents

(EUR'000)	31 December 2021	31 December 2020
Cash on hand	46	61
Cash with banks:		
- EUR denominated	20,750	4,696
- GEL denominated	9,314	7,942
- BGN denominated	2,789	2,472
- USD denominated	244	1,414
- CZK denominated	259	485
- TRY denominated	157	134
- Other currencies denominated	1,033	1,067
Restricted cash (i)	(376)	(594)
Total cash and cash equivalents	34,216	17,677

- (i) Restricted cash represents blocked cash in the bank accounts as collateral on legal cases and collateral on issued bank guarantees in favour of third parties.

15. Other Current Assets

(EUR'000)	31 December 2021	31 December 2020
Advance payments	12,973	6,294
Compensation from Ministry of Energy (EPV) (i)	11,019	-
VAT receivables	5,914	7,360
Prepaid insurance	1,363	995
Other	2,255	735
Total other current assets	33,524	15,384

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

16. Share Capital

The Company has one class of ordinary shares with a par value of CZK 250 thousand carrying one vote per share and a right to dividends. As of 31 December 2021 and 31 December 2020, authorised share capital consisted of 380 ordinary shares in the total amount of EUR 3,569 thousand.

17. Retained Earnings

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

18. Non-current Financial Liabilities

(EUR'000)	31 December 2021	31 December 2020
Financial lease liabilities	2,209	3,350
Other	277	-
Total non-current financial liabilities	2,486	3,350

19. Other Non-current Liabilities

(EUR'000)	31 December 2021	31 December 2020
Deferred income from remuneration of guaranteed commitment (Bilsev) (Note 10)	3,272	4,160
Government grants (i)	1,443	1,313
Other	475	489
Total other non-current liabilities	5,190	5,962

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

20. Non-current and Current Provisions

(EUR'000)	31 December 2021	31 December 2020
Non-current:		
Grid access fee provision (a)	3,463	3,677
Retirement benefits (d)	3,416	3,445
Other non-current provisions (e)	226	229
Total non-current provisions	7,105	7,351
Current:		
Legal claims (b) (i)	4,134	2,577
Energy effectiveness (c)	42	777
Retirement benefits (d)	498	620
Other (e)	1,344	2,078
Total non-current provisions	6,018	6,052
Total provisions	13,123	13,403

The movements of the provisions are as follows:

(EUR'000)	Grid access fee	Legal claims (i)	Energy effectiveness	Retirement benefits	Other	Total
As at 1 January 2021	3,677	2,577	777	4,065	2,307	13,403
Reclassification	-	1,678	-	-	-	1,678
Paid	-	(400)	-	(193)	(360)	(953)
Accrued	-	1,891	326	350	247	2,814
Financial expense	(64)	-	-	(18)	-	(82)
Reversed	(149)	(1,273)	(1,060)	-	-	(2,482)
Actuarial loss/ (profit)	-	-	-	(182)	-	(182)
Difference in rate of exchange	(1)	(339)	(1)	(108)	(624)	(1,073)
As at 31 December 2021	3,463	4,134	42	3,914	1,570	13,123
As 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)
As 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 3rd parties in case court cases are lost. These court cases are disputed receivables under protocols for theft of electricity and the Group experience with these indicates high probability of loss as well as history of payments of such amounts.

a) Grid access fee provision

EPV

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

(b) Provision for legal claims

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

The Group considers that as of 31 December 2021, it has sufficient financial resources to settle its obligations under provisioned lawsuits amounted to EUR 4,134 thousand.

(c) Provision for energy effectiveness

As of 31 December 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.

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

(d) Retirement benefits

- › Benefits at retirement for illness

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

The principal actuarial assumptions are as follows:

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

Rates of employee turnover and early illness retirement

To investigate better the dynamics of the employment leaves depending on the age, the employees are divided into five age groups. For each of the age group, the turnover of personnel in the last years from the previous years. Based on research experience and Group's confirmed assumptions, in the actuary model have been defined the following degrees of withdrawal. In the actuary model are determined early illness degrees, defined based on statistics from National Center of Health Information.

Personnel degree of withdrawal in age groups

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

Demographic assumptions about the future characteristics of employees

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

› Interest rate for determining the discount factor

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

› Wage growth in the coming years

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

2022 – 3% compared to the level in 2021;

2023 – 3% compared to the level in 2022;

2024 and the following – 1% compared to the level in previous year.

(e) Provision for other obligations

› Provision for unused paid leaves

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

› Construction subcontractors

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

21. Non-current and Current Borrowings

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

(EUR'000)	31 December 2021	31 December 2020
Non-Current portion of borrowings:		
Issued Bonds (i)	256,145	624,034
DSK Bank EAD (iv)	12,461	-
TBC Bank Georgia	800	-
VTB Bank Georgia	89	493
Total non-current portion of borrowings	269,495	624,527
Current portion of borrowings:	-	-
Issued Bonds (i)	369,703	624,034
Raiffeisenbank EAD (ii)	19,851	18,352
Unicredit Bulbank (iii)	13,857	8,324
VTB Bank Georgia	208	-
TBC Bank Georgia	3	-
Sberbank CZ, a.s.	-	11,500
Other	-	24
Total current portion of borrowings	403,622	38,200
Total borrowings	673,117	662,727

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures. Proceeds from borrowings and Repayment of borrowings, which are listed in the Consolidated Statement of Cash-flows, are represented by cash movements involving the drawdown of existing operating loans, operating loan balances and refinancing of operating loans within the existing year.

(i) Issued Bonds

Issued Bonds	31 December 2021	31 December 2020
4% Notes due 2022		
Principal	370,000	370,000
Accrued Interest	974	974
Unrealised costs	(1,271)	(2,576)
Carrying amount of 4% Notes due 2022	369,703	368,398
4.5% Notes due 2024		
Principal	250,000	250,000
Accrued Interest	7,428	7,428
Unrealised costs	(1,283)	(1,792)
Carrying amount of 4.5% Notes due 2024	256,145	255,636
Total carrying amount of issued bonds	625,848	624,034

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

The effective interest rate was calculated at 4.38%. The carrying value of these bonds as at 31 December 2021 was EUR 369,703 thousand (EUR 367,398 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.

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

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

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

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

(ii) Raiffeisenbank EAD (EPV)

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

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

(iii) UniCredit Bulbank AD (EPV)

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

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

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

(iv) DSK Bank EAD (EPV)

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

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

22. Trade and other payables

(EUR'000)	31 December 2021	31 December 2020
Trade payables	109,235	100,217
Deposits	3,380	3,046
Other	8,644	2,130
Total trade and other payables	121,259	105,393

23. Other Current Liabilities

(EUR'000)	31 December 2021	31 December 2020
Payable to personnel	8,709	9,230
Taxes payable	5,944	5,186
Deferred income from remuneration of guaranteed commitment (Bilsev) (Note 10)	1,644	1,760
Financial lease liabilities	325	419
Other liabilities	3,070	1,732
Total other current liabilities	19,692	18,327

24. Service Expenses

(EUR'000)	2021	2020
Technological losses of electricity (i)	(27,340)	(22,950)
Professional service fees (ii)	(11,145)	(52,555)
Dispatch and transmission	(5,917)	(6,055)
Commissions	(5,739)	(5,463)
Repairs and maintenance	(3,766)	(6,173)
Insurance expense	(3,175)	(2,850)
Encashment fee	(2,025)	(1,941)
Security expense	(1,956)	(3,374)
Rent expense	(1,866)	(2,219)
One off connection fee to ESO	(1,026)	(1,161)
Other	(6,270)	(6,715)
Total service expenses	(70,225)	(111,456)

- (i) As disclosed in Note 2, in regard of EPV, the Council of Ministers in Bulgaria decided on 30 December 2021 (Protocol No 893) to compensate in full the grid companies for the period 1 July 2021 – 31 December 2021 for the deviation in the average monthly price of the “Day ahead” on the free electricity market, as reported by IBEX from the set forecasted price by EWRC to 67.12 EUR / MWh (131.27 BGN/ MWh). The Group reports the compensation from the Ministry of Energy in Bulgaria as a reduction of the technological losses in the amount of EUR 14,172 thousand (BGN 27,718 thousand).
- (ii) The items are mainly related to the company EPInsaat in respect of Sub-contract deliveries in the amount of EUR 3,276 thousand as of 31 December 2021 (31 December 2020: EUR 52,555 thousand). The decrease from previous period to current period is linked to a decrease in the revenue item Services and Other shown in Consolidated statement of Comprehensive Income.

25. Other Operating Expenses

(EUR'000)	2021	2020
Business trip expenses	(7,376)	(7,301)
Provision for impairment and bad debt write-off	(3,970)	357
GNERC regulatory expense	(2,326)	(1,211)
Provision for impairment and bad debt write-off of receivables for court cases	(1,055)	(1,735)
Court expenses	(587)	(757)
Office supplies consumed	(396)	(367)
Provision for expenses	474	4,546
Other	(3,384)	(5,028)
Total other operating expenses	(18,620)	(11,496)

26. Finance Costs – Net

(EUR'000)	2021	2020
Net foreign exchange losses (i)	(39,011)	(43,739)
Interest expenses bonds	(28,055)	(27,344)
Prolongation fees on factored payables	(4,091)	(3,918)
Other finance costs	(1,557)	(437)
Interest expense from bank borrowings	(705)	(366)
Interest expense on lease liabilities	(220)	(207)
Fee from loans and other	(114)	(494)
Finance costs	(73,753)	(76,505)
Interest income on issued loans	14,652	13,336
Other financial income	3,010	3,468
Finance income	17,662	16,804
Net finance costs	(56,091)	(59,701)

(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 the Turkish subsidiary RH and EPİnsaat.

27. Other Income/(Loss)

(EUR'000)	2021	2020
Income from insurance claims (i)	5,237	388
Rental income	1,509	59
Revenue from customers for reconstruction of network and provision for requested capacity	1,347	4,418
Gains less losses on disposal of PPE and IA	200	694
Surplus from inventory and PPE counts	193	770
Income from penalties and fines	90	250
Losses in shares in associates	(193)	(10)
Other income	2,383	3,619
Total other income	10,766	10,188

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

28. Income Taxes

(a) Components of income tax expense

(EUR'000)	2021	2020
Current tax	(8,751)	(4,612)
Deferred tax	5,514	2,636
Income tax expense for the year	(3,237)	(1,976)

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

(EUR'000)	2021	2020
(Profit)/Loss before tax	(105,401)	(2,568)
Tax at statutory tax rate (i)	(792)	488
Effect of different tax rates in individual jurisdictions (ii)	-	794
Effective tax rate (iii)	3%	77%
Current tax:		
Additional tax payments (+)/refund (-)	(20)	-
Tax incentives, tax credits (-)	1,178	-
Investment allowance used (previously unrecognised)	-	(386)
Income tax paid in other countries (+)	-	3
Deferred tax:		
Adjustments to deferred tax attributable to changes in tax rates and laws	655	(550)
Effect of not recognized deferred tax asset	2,323	581
Non-tax expenses (+)/income (-) from which deferred tax isn't calculated:		
Net value of non-current tangible/intangible assets	-	-
Increase (+)/release (-) provisions	56	
Non-deductible expenses (+)/income (-)	(3,548)	1,046
Hypothetical tax on non-tax expenses and income	(3,492)	1,046
= Calculated income tax expense	(3,237)	1,976

- (i) Tax at statutory tax rate of 19% as enacted in the Czech Republic.
- (ii) Individual countries in which the Group operates have different enacted tax rates, i.e. the Czech Republic 19%, Bulgaria 10%, Georgia 0% subject to distribution of Profit outside the Georgia, Turkey 25% (31 December 2020: the Czech Republic 19%, Bulgaria 10%, Georgia 0% subject to distribution of Profit outside the Georgia, Turkey 20%).
- (iii) The effective tax rate has been determined as Income tax expense for the year divided by (Profit)/Loss before tax.

(b) Deferred taxes

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

(EUR'000)	2021	2020
Deferred income tax assets:		
- Deferred income tax asset to be recovered after more than 12 months	6,947	6,704
- Deferred income tax asset to be recovered within 12 months	48	40
Deferred income tax assets	6,995	6,744
Deferred tax liabilities:		
- Deferred income tax liability to be recovered after more than 12 months	(3,187)	(6,097)
- Deferred income tax liability to be recovered within 12 months	-	(104)
Deferred tax liabilities	(3,187)	(6,201)
Net deferred income tax assets/(liabilities)	3,808	543

(c) Deferred taxes analysed by type of temporary difference

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

(EUR'000)	1 Jan 2021	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2021
Tax effect of taxable temporary differences				
Property, plant and equipment & Intangible assets	(9,483)	235	1,916	(7,332)
Trade receivables	(337)	3,300	(822)	2,141
Non-current and Current Borrowings	(100)	46	15	(39)
Other current assets	(111)	3	42	(66)
Other temporary differences	(305)	(235)	288	(252)
Total deferred tax liability	(10,336)	3,349	1,439	(5,548)

(EUR'000)	1 Jan 2021	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2021
Tax effect of deductible temporary differences				
Inventories	(16)	-	-	(16)
Allowances for trade receivables	978	(90)	-	888
Trade and other payables	10	-	(3)	7
Non-current and Current Borrowings	-	-	-	-
Deferred income	2	-	(2)	-
Provisions	1,083	385	(118)	1,350
Carry forwards tax losses	5,270	4,477	(3,256)	6,491
Unutilised investment incentives	1,709	1,178	(1,000)	1,887
Other temporary differences	1,843	(3,785)	691	(1,251)
Total deferred tax assets	10,879	2,165	(3,688)	9,356
Net deferred tax asset	543	5,514	(2,249)	3,808

(c) Deferred taxes analysed by type of temporary difference

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

(EUR'000)	1 Jan 2020	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2020
Tax effect of taxable temporary differences				
Property, plant and equipment & Intangible assets	(11,657)	392	1,782	(9,483)
Trade receivables	(585)	102	146	(337)
Non-current and Current Borrowings	(54)	(89)	13	(100)
Other current assets	(150)	-	39	(111)
Other temporary differences	(1,138)	824	9	(305)
Total deferred tax liability	(13,584)	1,229	1,989	(10,336)

(EUR'000)	1 Jan 2020	Charged/ (credited) to profit or loss	Exchange differences	31 Dec 2020
Tax effect of deductible temporary differences				
Inventories	(16)	-	-	(16)
Allowances for trade receivables	1,302	(325)	1	978
Trade and other payables	2	9	(1)	10
Non-current and Current Borrowings	31	1	(2)	-
Deferred income	3	-	(1)	2
Provisions	1,377	(241)	(53)	1,083
Carry forwards tax losses	5,518	1,310	(1,558)	5,270
Unutilised investment incentives	1,850	386	(527)	1,709
Other temporary differences	1,672	249	(78)	1,843
Total deferred tax assets	11,739	1,389	(2,219)	10,879
Net deferred tax asset	(1,845)	2,618	(230)	543

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

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

29. Dividends

During the period ended 31 December 2021, and 31 December 2020, the sole owner of the capital of EPas (parent company) did not declare dividends.

30. Contingencies and Commitments

a) Legal Proceedings

EPB

As at 31 December 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") in 2017. 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, initiated in 2019. The case was suspended and reopened in mid-2021.

EPB is plaintiff in 2 administrative cases:

Against EWRC preferential price decision C-21/2021 decision (preferential price decision L1-14/2019 was proclaimed null and void on 14.01.2021); In July the 1st instance court rejected the claim. EPB appealed before the Supreme Administrative court.

Against EWRC decision SP-6/2019.

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

EPV

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

EPG

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

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

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

EPInsaat

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

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 124,492 thousand) loan to Bilsev for the construction of the Karakurt dam and related HPP. As of 31 December 2021, USD 117,735 thousand (EUR 103,951 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 44,146 thousand as of 31 December 2021).

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 Litostrój Power, d.o.o. The guarantee is for 100% of the drawn amount as of 31 December 2021.

EPas guarantee LE

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

EPV

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

RH

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

EPToptan

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

EPGG

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

EPGS

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

f) Commitments

EPV

Purchase of energy facilities

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

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

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

EPG & EPGG

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

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

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

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

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

31. 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 minimize 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). The risk on issued loans is limited because the main part consists of loans provided to the shareholders. Trade receivables include a large number of customers from various geographical and industry segments and Group considers the credit risk arising from the failure of one or more companies to pay as not significant, and within the manageable risk. The internal analysis of age structure of trade receivables shows no significant value of overdue receivables. For free customers, the Group assesses the credit quality of the customers by assessing the financial position of the customers, past experiences, and other factors as a part of its credit risk management program.

(EUR'000)	2021	2020
Non-current financial assets (Note 10)		
- Restricted bank deposit	60	821
Trade and other receivables (Note 13)		
- Trade receivables	186,102	154,092
Issued loans (Note 9)		
- Loans issued	345,215	318,177
Cash and cash equivalents (Note 14)		
- Bank balances payable on demand	34,216	17,677
Total	565,593	490,767

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

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

Currency risk. Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use in the year 2021 and 2020 any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is seeking to mitigate such risk by managing monetary assets and liabilities in foreign currencies at the Group level.

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

(EUR'000)	31 December 2021			31 December 2020		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
EUR	371,302	673,178	(301,876)	296,691	640,180	(343,489)
TRY *)	54,058	6,217	47,841	2,146	24,132	(21,986)
USD *)	17,079	929	16,150	54,288	15,011	39,277
Total	442,439	680,324	(237,885)	353,125	679,323	(326,198)

*) Denominated in EUR

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

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

(EUR'000)	31 December 2021	31 December 2020
	Impact on profit or loss	Impact on profit or loss
EURO strengthening by 10%	(30,188)	(34,349)
EURO weakening by 10%	30,188	34,349
TRY strengthening by 10%	4,784	(2,199)
TRY weakening by 10%	(4,784)	2,199
US Dollar strengthening by 10%	1,615	3,928
US Dollar weakening by 10%	(1,615)	(3,928)

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

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

The Group does not analyse the interest rate risk, as the Group primarily has interest on Issued Bonds at a fixed interest rate.

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

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

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

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

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	46,429	907	-	47,336
Trade and other payables	120,615	60	115	120,790
Other non-current financial liabilities & Other non-current liabilities	204	4,699	-	4,903
Other current liabilities	9,704	-	-	9,704
Issued Bonds	377,131	248,717	-	625,848
Contingent liabilities – financial guarantees (Note 30e)	47,919	-	-	47,919
Total future payments, including future principal and interest payments	602,002	254,383	115	856,500

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

(EUR'000)	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings	26,700	11,993	-	38,693
Trade and other payables	104,598	15	-	104,613
Other non-current financial liabilities & Other non-current liabilities	489	5,037	476	6,002
Other current liabilities	8,662	-	-	8,662
Issued Bonds	8,401	615,633	-	624,034
Contingent liabilities – financial guarantees (Note 30e)	44,512	-	-	44,512
Total future payments, including future principal and interest payments	193,362	632,678	476	826,516

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

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

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

32. Fair Value of Financial Instruments

The Group has no financial instruments measured at fair value (except Issued bonds as shown in the table below) in the 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 and Contract assets;
- › 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 31 December 2021, are as follows:

(EUR'000)	Carrying amount	Fair Value	Interest	Total Fair Value
4% Notes due 2022	369,703	367,278	974	368,252
4.5% Notes due 2024	256,145	247,656	7,428	255,084
Total	625,848	614,934	8,402	623,336

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

33. Business performance – Segment accounts

For the years 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 as of 31 December 2021 (31 December 2020 EPAs, MGW, EPInsaat, EPToptan, OPPA and EP Colombia).

The following table shows the Income statement (business performance) of individual companies of the Group in the year 2021:

(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	736,588	46,603	302,190	31,607	14,674	65,704	(125,775)	1,071,591
Other income / (expense)	(193)	1,933	8,572	5,242	748	216	(5,752)	10,766
Changes in inventory of products and in work in progress	-	-	-	-	-	(4,443)	3,922	(521)
Capitalized own products and own services	-	-	-	-	-	-	-	-
Purchased power	(572,525)	(12,797)	(192,531)	(1,887)	(903)	(3,731)	102,080	(682,294)
Services expenses	(43,289)	(3,970)	(6,871)	(6,330)	(3,259)	(18,554)	12,048	(70,225)
Labour costs	(36,670)	(3,114)	(20,064)	(2,278)	(1,913)	(8,507)	-	(72,546)
Materials expenses	(2,315)	(335)	(809)	(46)	-	(30,744)	11,484	(22,765)
Other tax expenses	(491)	-	(5,364)	(1,060)	(129)	(1,641)	-	(8,685)
Other operating expenses	(1,674)	(2,190)	(4,949)	(1,182)	(80)	(8,613)	68	(18,620)
EBITDA	79,431	26,130	80,174	24,066	9,138	(10,313)	(1,925)	206,701
Depreciation and amortization	(23,250)	(3,204)	(13,350)	(2,925)	(1,517)	(963)	-	(45,209)
EBIT	56,181	22,926	66,824	21,141	7,621	(11,276)	(1,925)	161,492

The following table shows the Other items of individual companies of the Group in the year 2021 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
Other items								
Total non-current assets	192,362	68,874	193,552	124,163	35,595	740,363	(400,973)	953,936
Total current assets	218,422	15,070	84,419	12,412	5,671	102,460	(132,856)	305,598
TOTAL ASSETS	410,784	83,944	277,971	136,575	41,266	842,823	(533,829)	1,259,534
Capital expenditures	20,386	1,625	32,408	12,541	79	3,072	-	70,111
Income tax expense	(5,633)	(2,346)	-	-	5,395	(653)	-	(3,237)
Number of employees (FTE)	2,411	127	5,611	483	87	433	-	9,152

The following table shows the Income statement (business performance) of individual companies of the Group in the year 2020:

(EUR'000)	D&S Bulgaria EPV	Generation Bulgaria EPB	Distribution Georgia EPG	Generation Georgia EPGG	Generation Turkey RH	Other businesses (i)	Intra-group	TOTAL
Revenue	451,658	16,675	191,150	22,356	35,254	114,702	(73,444)	758,351
Other income / (expense)	-	1,336	8,164	659	2,844	(673)	(2,142)	10,188
Changes in inventory	-	-	-	-	-	(3,483)	3,293	(190)
Purchased power	(306,904)	(1,792)	(170,044)	-	(2,967)	(10,027)	50,522	(441,212)
Services expenses	(38,681)	(1,998)	(4,085)	(5,916)	(6,639)	(64,142)	10,005	(111,456)
Labour costs	(40,683)	(2,508)	(17,827)	(1,908)	(1,849)	(9,082)	186	(73,671)
Materials expenses	(4,132)	(312)	(847)	(45)		(23,708)	11,309	(17,735)
Other tax expenses	(486)	-	(1,556)	(772)	(214)	(1,593)	-	(4,621)
Other operating expenses	2,864	(1,251)	(2,442)	(654)	(278)	(9,744)	9	(11,496)
EBITDA	63,636	10,150	2,513	13,720	26,151	(7,750)	(262)	108,158
Depreciation and amortization	(23,083)	(3,262)	(13,990)	(2,295)	(2,021)	(1,238)	-	(45,889)
EBIT	40,553	6,888	(11,477)	11,425	24,130	(8,988)	(262)	62,269

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

(EUR'000)	D&S Bulgaria EPV	Generation Bulgaria EPB	Distribution Georgia EPG	Generation Georgia EPGG	Generation Turkey RH	Other businesses (i)	Intra-group	TOTAL
Other items:								
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
Income tax expense	(3,987)	116	-	-	1,743	149	3	(1,976)
Number of employees (FTE)	2,406	128	5,578	462	99	429	-	9,102

34. Events after the Reporting Period

Prepayment for an acquisition of investments (EPV)

As disclosed in Note 10, in June 2021, EPV and Frisardi EOOD had concluded a Preliminary agreement for a transfer of real estate / investments in the amount of EUR 7.2 million. EPV had paid in advance the amount of EUR 6.1 million.

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

Issued bonds (EPas)

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

Agreement to acquire EPHD and EPTD terminated (EPas)

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

Military conflict between Russia and Ukraine

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

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

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

35. Authorisation by the Board of Directors

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

The consolidated financial statements and Annual report were authorised for issue on 4 April 2022 in Prague, Czech Republic.



Vlastimil Ouřada
CFO and Member of the Board of Directors
ENERGO - PRO a.s.