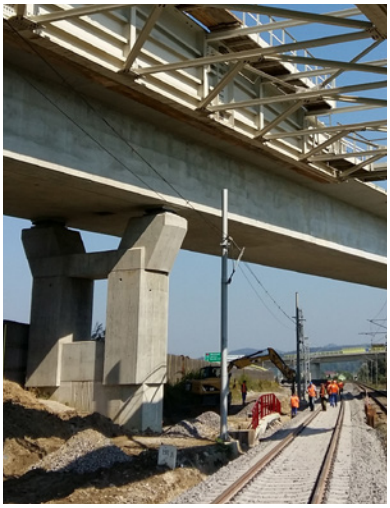
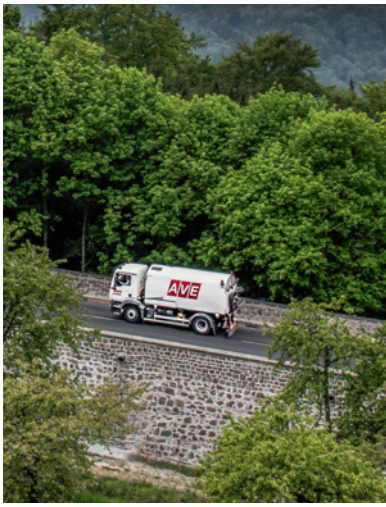




Power Engineering
Transport Infrastructure
Automotive Industry
Waste Management

EP INDUSTRIES

Annual report 2020

www.epindustries.cz

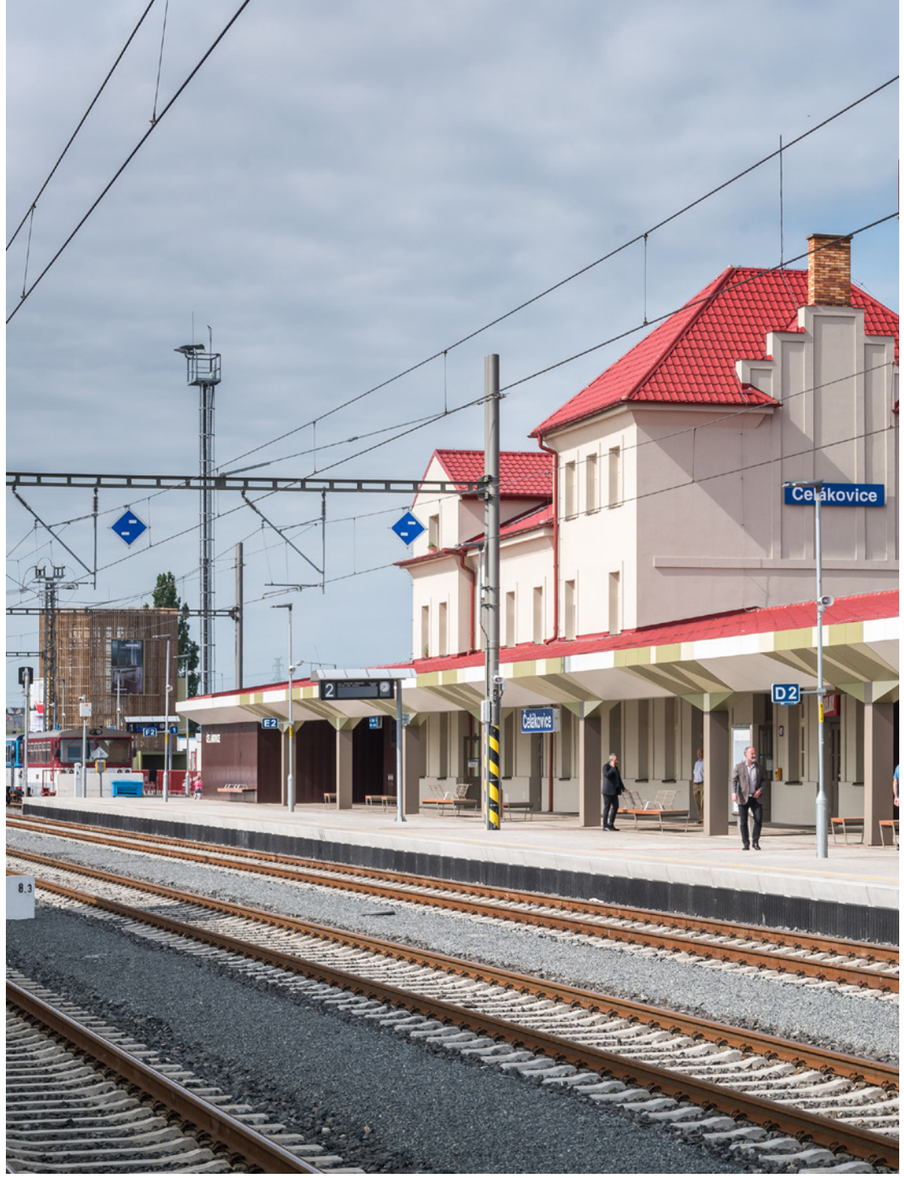
EP INDUSTRIES

EP Industries, a.s.

Consolidated Annual Report for the year ended 31 December 2020

Annual Report 2020

Content



Consolidated sales reached almost CZK 24,3 billion and EBITDA exceeded CZK 3,4 billion.

Independent Auditor's Report on the Consolidated Annual Report

Deloitte Audit s.r.o.
Churchill I
Italská 2581/67
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DeloitteCZ@deloitteCE.com
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Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
EP Industries, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

Opinion

We have audited the accompanying consolidated financial statements of EP Industries, a.s. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as of 31 December 2020, and the consolidated income statement, 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.

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

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 guidelines. 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 the Consolidated Annual Report

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 of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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 EU 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 15 June 2021

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

Introduction by the Chairman of the Board of Directors

> EPI's strategy for the future continues to be based on building a strong group in the segments of construction of power and transport infrastructure, automotive industry, waste management and power and precision engineering, providing our investors not just with stable performance in relation to market development, but also with growth potential.

Jiří Nováček Chairman of the Board of Directors

Dear Shareholders, Dear Business Partners, Dear Colleagues, Dear Friends,

Another year has gone by and I am very happy that I can conclude that the group of companies of EP Industries, a.s. (hereinafter "EPI") continues to be one of the leading industrial groups in the Czech Republic, as confirmed by the group's performance, since its consolidated sales reached almost CZK 24,3 billion and EBITDA exceeded CZK 3,4 billion.

Over a short period of time, we have managed to build a strong and stable group. Thanks to the support of the strong shareholder structure, I am convinced that EPI will achieve excellent results in future years as well.

In this respect, it is necessary to emphasise that the current and by extension future success is closely connected to good relationships with our employees. We therefore strive to create the best possible working conditions, we know how to appreciate work results and how to provide corresponding compensation.

EPI's strategy for the future continues to be based on building a strong group in the segments of construction of power and transport infrastructure, automotive industry, waste management and power and precision engineering, providing our investors not just with stable performance in relation to market development, but also with growth potential. We continue to focus on creating lasting values and strengthening our strategic position on the existing markets.

Additional information:

1. Via its subsidiaries, EPI has the following organisational branches abroad:

   Elektrizace železnic Praha a.s.: Slovakia and Estonia
   ELTRA, s.r.o.: Czech Republic
   AVE Sběrné Suroviny a.s.: Italy
   EGEM s.r.o. (ČR): Slovakia, Germany and Ukraine
   EGEM, s.r.o. (SK): Czech Republic
   I&C Energo a.s.: Slovakia
   Elektrovod, a.s.: Czech Republic
   SES ENERGY, a.s.: Czech Republic
   Slovenské energetické strojárne a.s.: Czech Republic, Ukraine and Turkey

2. In 2020, Elektrizace železnic Praha a.s. and SOR Libchavy spol. s r.o. performed research and development activities.

3. In 2020, EPI acquired no treasury shares or treasury equity investments.

4. No significant events occurred after the balance sheet date other than those disclosed in the notes to the consolidated financial statements (refer to the financial part of this annual report).

5. In the environmental area, EPI complies with all the requirements of valid legislation and other environmental protection requirements.

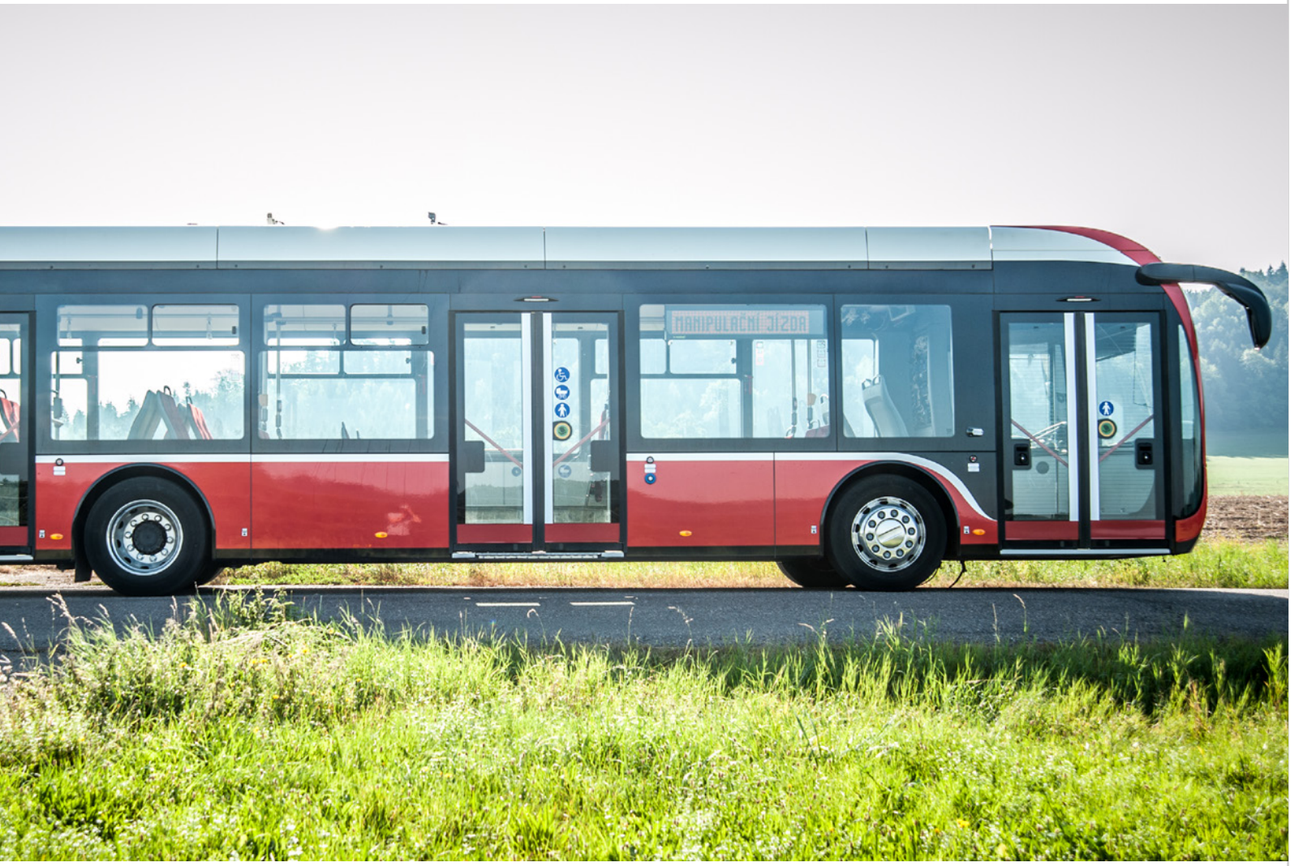
6. EPI's policies in the area of financial risk management are described in the notes to the consolidated financial statements.

Given the unprecedented situation that occurred in the first half of 2020 as a result of the spread of the SARS-CoV-2 virus, causing the adoption of various preventative anti-Covid-19 measures with impacts on the day-to-day operations of individual subsidiaries, it should be mentioned that the direct and indirect effects on the group as a whole are limited. The impact of this situation, which persists to this date to some extent, on the group's business results is not significant.
On behalf of group management, I can say that we will continue monitoring the risks and possible impacts of this situation in order to take all possible steps to eliminate or mitigate any negative effects on employees as well as the operations and results of the group.

I would like to thank all our employees for their work and loyalty, our clients and business partners for our good relations, and our shareholders for their support. I look forward to further cooperation in 2021.

In Prague on 15 June 2021

Jiří Nováček
Chairman of the Board of Directors



Report of the Board of Directors on Business Activities and State of Assets

Structure of the Company

EPI Group companies are divided into four pillars based on their primary line of business.

I. POWER ENGINEERING & SERVICES

EGEM s.r.o. – an engineering and supply company focused on designing, construction, reconstruction, repair, servicing and maintenance of power installations including transmission lines and electric components of power sources. The company offers its customers comprehensive services from the proposal of a solution to their requirements, to their realisation, to services related to operation, servicing and maintenance.

PROFI EMG s.r.o. – was created through the merger of PROFI-ELRO s.r.o. and EMG ENERGO s.r.o. with the intention to offer its customers comprehensive services in the areas of designing, assembling, inspecting and servicing extra high, very high, high and low voltage power installations in power engineering, industry and construction. To ensure the quality of work, supplies and services, the company has implemented and certified an integrated quality management system. An important goal of the company is to fulfil orders while minimising environmental impacts.

SEG s.r.o. – deals with assembly activities in the field of electrical installations, production of poles and structures for the power industry and design of electrical installations.

MSEM, a.s. – a modern and dynamic electric engineering company with a long tradition. The company is one of the largest and most important suppliers in the Czech Republic in its field. The primary business activities of the company include construction, reconstruction and repair of power distribution installations (outdoor power lines, cable lines, public lighting, renewable sources) and technological assemblies (high voltage and very high voltage distribution substations, distribution transformer stations).

VČE – montáže, a.s. – project designer and general supplier of low, high and very high voltage power constructions, network telecommunication constructions and professional servicing activities for the power industry. The company's business continues the uninterrupted tradition of network and technological assemblies of Východočeská energetika, a.s., and its legal predecessors.

MONTPROJEKT, a.s. – project designer of low, high and very high voltage power distribution installations (outdoor power lines, cable lines, public lighting, distribution transformer stations).

Elektrovod, a.s., is a provider of bundled services and supplies including the designing and realisation of extra high and very high voltage power installations.

SES ENERGY, a.s. is a major Slovak supplier of assembly work and services for the construction, reconstruction, modernisation and repair of boilers for power plants, heating plants and incineration plants.

SES BOHEMIA ENGINEERING, a.s. focuses on water purification and treatment and on the reconstruction and modernisation of existing power systems.

Energetické opravny, a.s. offers a wide range of activities provided during repairs, modernisations and reconstructions of technological equipment in the power industry and other sectors. Its wide range of activities covers the entire area of boiler room operation, desulphurisation, engine rooms, coal supply, water and heat management systems. The company has sufficient technical, capacity and personnel resources needed for high-quality execution of the offered activities.

SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. is a major supplier of boilers for the combustion of all types of fuel. The company's production includes the supply of boiler rooms, condensation and regeneration systems, high-pressure and low-pressure pipelines and water treatment and fuel preparation equipment.

I&C Energo a.s. is a major supplier of comprehensive control and management systems, industrial information systems, electrical systems, and a supplier of engineering activities in the nuclear power industry. Its supplies on the Czech and foreign markets are realised in the field of investment supplies, optimisation of power generation plants, and servicing.

ELQA, s.r.o. deals with repairs and maintenance of low and high voltage power, ground and above-ground wires of low and high voltage power, including design and engineering work, as well as building a network of public lighting for municipalities and private investors.

Fintherm a.s. is the largest producer and supplier of pre-insulated pipeline systems in the Czech Republic and at the same time a significant supplier for a number of foreign markets.

II. MANUFACTURING & OTHER

1. AUTOMOTIVE INDUSTRY

SOR Libchavy spol. s r.o. – major Czech manufacturer of buses offering modern types of buses, trolley buses and electric buses based on standardised model lines as well as non-standard versions based on the clients' wishes. At present, it manufactures buses of 8.5 m, 9.5 m, 10.5 m, 12 m and 18 m in length in versions for city, intercity and long-distance operation. The buses are equipped with engines that are fully in line with the emission requirements of the European Union. Aside from the traditional diesel drive, the customer may choose compressed natural gas (CNG) drive, electric or hybrid technology. The company is successful on the domestic as well as the foreign markets. It also provides servicing, repairs and sale of spare parts for buses of the SOR brand.

2. TRANSPORT INFRASTRUCTURE INSTALLATIONS

Elektrizace železnic Praha a.s. – major domestic supplier of constructions and technological units in the area of transport infrastructure. It ensures the development, design, production and assembly of electrification for railways and urban transport. It also provides comprehensive supplies of electro-technological units such as low voltage and high voltage substations, including remote control, traction power stations, heavy-current power lines and lighting.

ELTRA, s.r.o. – major Slovak supplier of construction and supplies in the area of heavy current electrical engineering. It provides development, design, production, supply and assembly of electrification for railways and urban transport.

TRAMO RAIL a.s. – the company carries out contracts related to specified technological equipment and designated technological maintenance equipment, assemblies and restorations of electrification and high-voltage equipment throughout the Czech Republic.

III. WASTE MANAGEMENT

The Waste Management pillar is composed of the AVE group, which provides comprehensive services in the area of waste management and ensures the highest technological and environmental quality of waste processing, from the collection of waste to its processing or disposal, if its recovery is not possible. The AVE group is one of the leading companies providing services for municipal and private customers in Central and Eastern Europe. Aside from the Czech Republic, the AVE group is also active in Slovakia and Ukraine.

IV. PRECISION ENGINEERING

Winning Automotive a.s. and its German subsidiaries Winning BLW GmbH and Winning BLW Management GmbH focus on the production of precision forged parts for passenger cars and trucks and industrial applications.

Economic Results and Financial Management

In terms of the economic results, 2020 is seen as a very successful year. Total sales of the EPI Group amounted to CZK 24,3 billion. The operating profit amounted to CZK 2,5 billion, while profit before tax exceeded CZK 1,7 billion.

The Company's financial management during the year was problem-free and stable.

The Environment

In 2020, EPI Group companies were run with the objective of minimising the impact of their activities on the environment. Most companies have an environmental management system in place in line with the ČSN EN ISO 9000 and 14 000 standards. Compliance with legislative requirements in the area of environmental protection is naturally a priority for the Company.

Human Resources

The group companies have qualified employees with expert skills that allow the companies to be successful in the competition in their respective segments.

The Company has long focused on working with employees with a high potential, who become personnel reserves and are trained for the potential future performance of management roles or for the positions of expert specialists.

Trade unions are active within the Company. The Company's management maintains regular contact with their representatives, who are informed about all significant matters having an impact on employees.

Outlook on Future Periods

The EPI Group is built on strong foundations and it can therefore use future opportunities to grow.

We place emphasis on following new trends and the innovations arising from them. In addition, we do not rule out future acquisitions or sales that could bring synergistic effects for the operation of the Group.

Based on the development of the COVID-19 situation so far, we are convinced that the pandemic will not have significant direct or indirect impacts on the economic situation of the Company. The Group's management will continue to closely follow the potential effects of the measures related to COVID-19 and will take all the possible steps to mitigate any potential negative impacts on the Group's operations, results and employees.

Report on relations

Report on relations

between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity (related parties)

prepared by the Board of Directors of EP Industries, a.s. (the "Company"), with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, Corporate ID No.: 292 94 746, in accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended.

(THE "REPORT")

I. PREAMBLE

The Report has been prepared under Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended (the **"Business Corporations Act"**).

The Report has been submitted for review to the Company's Supervisory Board in accordance with Section 83 (1) of the Business Corporations Act. The Supervisory Board's position will be communicated to the Company's General Meeting deciding on the approval of the Company's ordinary financial statements and on the distribution of the Company's profit or the settlement of its loss.

The Report has been prepared for the 2020 accounting period.

II. STRUCTURE OF RELATIONS

CONTROLLED ENTITY

The controlled entity is EP Industries, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, ID No.: 292 94 746, recorded in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 21734.

CONTROLLING ENTITIES

DIRECTLY CONTROLLING ENTITY:

EP INDUSTRIES HOLDING LIMITED
Registered office: Kyriakou Matsi, 16 EAGLE HOUSE, 8th floor, Agioi Omologities, Nicosia, P.C. 1082, Republic of Cyprus
Registration number: HE310311

INDIRECTLY CONTROLLING ENTITIES:

NERUNA LTD
Registered office: 1061 Nicosia, Klimentos, 41-43, Klimentos Tower, Republic of Cyprus
Registration number: HE298229

BLYCONO SERVICES LIMITED
Registered office: Klimentos, 41-43, KLIMENTOS TOWER, 1061, Nicosia, Cyprus
Registration number: HE366053

OTHER CONTROLLED ENTITIES

Entities controlled by the same controlling entities are disclosed in note 33 to the consolidated financial statements of the controlled entity.

III. ROLE OF THE CONTROLLED ENTITY; METHOD AND MEANS OF CONTROL

ROLE OF THE CONTROLLED ENTITY

- Strategic management concerning the development of a group of directly or indirectly controlled entities;
- Providing financing and developing financing systems for group entities;
- Optimising the services utilised/provided in order to improve the entire group's performance; and
- Managing, acquiring and disposing of the Company's ownership interests and other assets.

METHOD AND MEANS OF CONTROL

The controlling entities hold a majority share of voting rights in EP Industries, a.s. over which they exercise a controlling influence.

IV. OVERVIEW OF ACTS UNDER SECTION 82 (2) (D) OF ACT NO. 90/2012 COLL., ON BUSINESS CORPORATIONS

During the 2020 accounting period, no act was carried out in the interest or at the initiative of the controlling entity that would relate to assets exceeding 10% of the controlled entity's equity as presented in the latest financial statements.

V. AGREEMENTS CONCLUDED BETWEEN EP INDUSTRIES, A.S. AND OTHER RELATED PARTIES

V.1. THE FOLLOWING LOAN AGREEMENTS WERE EFFECTIVE IN 2020:

On 29 June 2007, a Loan Agreement was signed between SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor and a third party as the creditor. On 24 July 2012, the receivable was assigned to EP Industries, a.s. as the new creditor.

On 20 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and SOR Libchavy spol. s r.o. as the creditor.

On 26 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and SEG s.r.o. as the creditor.

On 26 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and VČE – montáže, a.s. as the creditor.

On 26 October 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and MSEM, a.s. as the creditor.

On 29 November 2011, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and Herington Investments Limited as the creditor.

On 23 January 2012, a Loan Agreement including effective amendments was signed between EP Industries, a.s. (former EP Industry, a.s.) as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 26 June 2012, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and TAHOBA INVESTMENTS LIMITED a.s. as the debtor.

On 2 July 2012, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 8 October 2014, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and PIRAMEL ENTERPRISES LIMITED as the debtor.

On 12 January 2015, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and TAHOBA INVESTMENTS LIMITED as the debtor.

On 18 May 2015, a Loan Agreement including effective amendments was signed between Poisson Investments a.s. as the creditor and PI 1 a.s. as the debtor. On 11 June 2018, by an Agreement on the Assignment of a Receivable for Consideration, the debt was assigned to EP Industries, a.s. On 27 June 2019, an agreement to change the subject of a receivable was signed between EP Industries, a.s. as the creditor and PI 1 a.s. as the debtor, which replaced the above-mentioned loan agreement.

On 22 July 2015, a Loan Agreement was signed between EP Industries, a.s. as the debtor and Energetické montáže Holding, a.s. as the creditor.

On 15 March 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 5 April 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and Elektrizace železnic Praha a.s. as the creditor.

On 6 May 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. as the debtor.

On 12 December 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and ESTABAMER LIMITED as the debtor.

On 14 December 2016, a Loan Agreement was signed between EP Industries, a.s. as the debtor and PROFI EMG s.r.o. as the creditor.

On 20 December 2016, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and EGEM s.r.o. as the creditor.

On 15 January 2017, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and SES BOHEMIA ENGINEERING, a.s. as the debtor.

On 31 August 2017, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and Energetické opravny, a.s. as the debtor.

On 18 December 2017, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and AVE CEE Holding GmbH as the creditor. On 10 December 2020, ANDELTA, a.s. became the legal successor of AVE CEE Holding GmbH.

On 26 January 2018, an Agreement on a Financial Loan including effective amendments was signed between EP Industries, a.s. as the creditor and BAULIGA a.s. as the debtor.

On 5 December 2018, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the creditor and Slovenské energetické strojárne a.s. as the debtor.

On 8 March 2019, a Loan Agreement, including effective amendments, was signed between EP Industries, a.s. as the creditor and EP INDUSTRIES HOLDING LIMITED as the debtor.

On 28 March 2019, a Loan Agreement, including effective amendments, was signed between EP Industries, a.s. as the creditor and EP INDUSTRIES HOLDING LIMITED as the debtor.

On 29 April 2019, a Loan Agreement was signed between EP Industries, a.s. as the creditor and Fintherm a.s. (former Uponor Infra Fintherm a.s.) as the debtor.

On 16 May 2019, a Loan Agreement was signed between EP Industries, a.s. as the creditor and Fintherm a.s. (former Uponor Infra Fintherm a.s.) as the debtor.

On 12 June 2019, a Loan Agreement was signed between EP Industries, a.s. as the debtor and AVE CEE Holding GmbH as the creditor. On 10 December 2020, ANDELTA, a.s. became the legal successor of AVE CEE Holding GmbH.

On 12 June 2019, a Loan Agreement was signed between EP Industries, a.s. as the debtor and AVE CZ odpadové hospodářství s.r.o. as the creditor.

On 27 September 2019, a Loan Agreement was signed between EP Industries, a.s. as the debtor and ELTRA, s.r.o. as the creditor.

On 30 September 2019, a Loan Agreement was signed between EP Industries, a.s. as the debtor and ELTRA, s.r.o. as the creditor.

On 30 September 2019, an Agreement on Set-Off of Receivables was signed between EP Industries, a.s. and TAHOBA INVESTMENTS LIMITED, HERINGTON INVESTMENTS LIMITED, Energetické montáže Holding, a.s., MSEM, a.s., VČE – montáže, a.s., SEG s.r.o., EGEM s.r.o., PROFI EMG s.r.o.

On 21 February 2020, a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and AVE CEE Holding GmbH as the creditor. On 10 December 2020, ANDELTA, a.s. became the legal successor of AVE CEE Holding GmbH.

On 11 May 2020, a Loan Agreement was signed between EP Industries, a.s. as the creditor and ED Holding a.s. as the debtor.

On 4 August 2020 a Loan Agreement including effective amendments was signed between EP Industries, a.s. as the debtor and EP INDUSTRIES HOLDING LIMITED as the creditor.

On 11 August 2020 a Loan Agreement was signed between EP Industries, a.s. as the debtor and SOR Libchavy spol. s r.o. as the creditor.

IN 2020, THE FOLLOWING AGREEMENTS ON THE SET-OFF / ASSIGNMENT OF RECEIVABLES / CONTRIBUTIONS WERE CONCLUDED:

On 20 January 2020, an Agreement on Set-Off of Receivables was signed between EP Industries, a.s. and Energetické montáže Holding, a.s.

On 10 June 2020, an Agreement on Assumption of Debt and Set-Off of Receivables was signed between EP Industries, a.s., TAHOBA INVESTMENTS LIMITED, Herington Investments Limited and Energetické montáže Holding, a.s.

On 23 June 2020, an Agreement on Assumption of Debt and Set-Off was signed between EP Industries, a.s., AVE CEE Holding GmbH and AVE CZ odpadové hospodářství s.r.o.

On 31 August 2020, an Agreement on Assumption of Debt and Set-Off of Receivables was signed between EP Industries, a.s., TAHOBA INVESTMENTS LIMITED, Herington Investments Limited and Energetické montáže Holding, a.s.

On 31 August 2020, an Agreement on Assignment and Set-Off of Receivables was signed between EP Industries, a.s., Energetické montáže Holding, a.s. and EGEM s.r.o.

On 31 August 2020, an Agreement on Assignment and Set-Off of Receivables was signed between EP Industries, a.s., Energetické montáže Holding, a.s. and PROFI EMG s.r.o.

On 31 August 2020, an Agreement on Assumption of Debt and Set-Off of Receivables was signed between EP Industries, a.s. and TAHOBA INVESTMENTS LIMITED.

On 8 December 2020, a Set-Off Agreement was signed between EP Industries, a.s. and EP INDUSTRIES HOLDING LIMITED.

On 8 December 2020, an Agreement on Provision of Contribution outside the Registered Capital was signed between EP Industries, a.s. and EP INDUSTRIES HOLDING LIMITED.

On 11 December 2020, a Set-Off Agreement was signed between EP Industries, a.s. and ANDELTA, a.s., PIRAMEL ENTERPRISES LIMITED.

On 23 December 2020, a Set-Off Agreement was signed between EP Industries, a.s. and ANDELTA, a.s., PIRAMEL ENTERPRISES LIMITED.

On 1 December 2020, an Agreement on Set-Off of Receivables was signed between EP Industries, a.s. and Winning Group a.s.

On 8 December 2020, an Agreement on Provision of Contribution outside the Registered Capital was signed between EP Industries, a.s. and EP INDUSTRIES HOLDING LIMITED.

On 23 December 2020, an Agreement on Set-Off of Receivables was signed between EP Industries, a.s. and SES ENERGY, a.s.

THE FOLLOWING CONTRACTS AND AMENDMENTS WERE EFFECTIVE IN 2020:

On 30 September 2013, an Agreement on Providing Meeting Rooms was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o
MSEM, a.s.
PROFI EMG s.r.o.
SEG s.r.o.
SOR Libchavy spol. s r.o.
VČE – montáže, a.s.

On 31 October 2013, an Agreement on Controlling and Analytical Advisory Services was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o
Elektrizace železnic Praha, a.s.
MSEM, a.s.
SEG s.r.o.
SOR Libchavy spol. s r.o.
VČE – montáže, a.s.

On 31 October 2013, an Agreement on Financial Advisory Services was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o
Elektrizace železnic Praha, a.s.
Energetické opravny, a.s.
MSEM, a.s.
MONTPROJEKT, a.s.
PROFI EMG s.r.o.
SEG s.r.o.
VČE – montáže, a.s.

On 27 November 2013, an Agreement on the Joint Course of Action was signed between EP Industries, a.s. and the companies listed below: TAHOBA INVESTMENTS LIMITED

On 31 December 2013, an Agreement on Providing Advisory Services concerning the Administrative and Legal Matters was signed between EP Industries, a.s. and the companies listed below:
EGEM s.r.o
Elektrizace železnic Praha, a.s.
Energetické opravny, a.s.
MSEM, a.s.
MONTPROJEKT, a.s.
PROFI EMG s.r.o.
SEG s.r.o.
SOR Libchavy spol. s r.o.
VČE – montáže, a.s.

On 27 September 2019, Facility Agreement was signed between EP Industries, a.s., ELTRA, s.r.o. and SLOVENSKÁ SPORITELŇA, a.s.

On 30 September 2019, Intragroup Facility Agreement was signed between EP Industries, a.s. and ELTRA, s.r.o.

On 10 February 2020, an Agreement on Providing Advisory Services was signed between EP Industries, a.s. and EŽP Invest a.s.

On 14 February 2020, an Agreement on the Transfer of Shares in EŽP Invest a.s. was signed between EP Industries, a.s. and ED Holding a.s.

On 5 August 2020, an Agreement on the Purchase of Shares in Abruzzo a.s. was signed between EP Industries, a.s. and Colora, a.s.

On 13 October 2020, an Agreement on Provision of Non-Refundable Contribution was signed between EP Industries, a.s. and ESTABAMER LIMITED.

On 22 October 2020, a Project Support Agreement was signed between EP Industries, a.s. and Winning BLW GmbH, Winning BLW Management GmbH, J&T Banka, a.s.

On 22 October 2020, a Share Sale and Purchase Agreement was signed between EP Industries, a.s. and Winning Group a.s. in relation to the purchase of shares in Winning Automotive a.s.

On 22 October 2020, a Facility Agreement was signed between EP Industries, a.s. and Winning Group a.s.

On 22 October 2020, a Facility Agreement was signed between EP Industries, a.s. and Winning Automotive a.s.

On 22 October 2020, a Charge Agreement regarding Shares in Winning Automotive a.s. was signed between EP Industries, a.s. and Winning Group a.s.

V.2. OTHER LEGAL ACTS MADE BETWEEN EP INDUSTRIES, A.S. AND OTHER RELATED PARTIES

Aside from the above, no other agreements were concluded and no supplies or considerations were provided between EP Industries, a.s. and the related parties.

EP Industries, a.s. did not adopt or carry out any other legal acts or measures in the interest or at the initiative of the related parties.

V.3. TRANSACTIONS, RECEIVABLES AND PAYABLES OF EP INDUSTRIES, A.S. IN RESPECT OF RELATED PARTIES

Receivables and payables of EP Industries, a.s. in respect of related parties as of 31 December 2020 are disclosed in the notes to the financial statements, which form part of the consolidated annual report.

VI.

We hereby confirm that we have included in this Report on relations between the related parties of EP Industries, a.s., prepared pursuant to Section 82 of the Business Corporations Act (Act No. 90/2012 Coll., as amended) for the accounting period from 1 January 2020 to 31 December 2020, all information available as of the date of signing of this Repot regarding:

- Agreements between related parties;
- Supplies and considerations provided to related parties;
- Other legal acts carried out in the interest of related parties; and
- All measures taken or implemented in the interest or at the initiative of related parties.

All transactions between EP Industries, a.s. and the controlling entity and entities controlled by the same entity were concluded under arm's length terms. The Board of Directors of EP Industries, a.s. declares that EP Industries, a.s. incurred no damage as a result of the actions of the controlling entity or of any entity controlled by the same entity and that the contractual and other relations with related parties resulted in no loss or property advantage or disadvantage to EP Industries, a.s.

In Prague on 30 March 2021

Jiří Nováček
Chairman of the Board of Directors

Hana Krejčí
Member of the Board of Directors

Consolidated Financial Statements

EP INDUSTRIES

Consolidated Financial Statements
for the Year Ended 31 December 2020

PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

ANNUAL REPORT 2020

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2020
In CZK million

	Note	2020	2019
Sales: Technical-engineering & services	6	9 116	9 883
Sales: Industrial waste	6	3 359	3 301
Sales: Manufacturing and other	6	11 807	10 286
Total sales		**24 282**	**23 470**
Cost of sales: Technical-engineering & services	7	-4 736	-5 414
Cost of sales: Industrial waste	7	-2 369	-2 235
Cost of sales: Manufacturing and other	7	-7 514	-6 516
Total cost of sales		**-14 619**	**-14 165**
		9 663	**9 305**
Personnel expenses	8	-5 080	-4 841
Depreciation and amortisation	13, 14	-952	-1 025
Repairs and maintenance		-250	-274
Gain on a bargain purchase on acquisition of new subsidiaries	5	-	7
Taxes and charges		-50	-48
Other operating income	9	421	467
Other operating expenses	10	-1 290	-1 635
Profit/-loss from operations		**2 462**	**1 956**
Finance income	11	49	112
Finance expense	11	-599	-559
Profit/-loss from securities and derivatives	11	-220	81
Net finance income/-expense		**-770**	**-366**
Share in the profit/-loss of equity accounted investees, net of tax	15	16	-
Gain/-loss on the sale and disposal of subsidiaries, special purpose entities and associates	5	-8	9
Profit/-loss before income tax		**1 700**	**1 599**
Income tax	12	-456	-431
Profit/-loss for the period		**1 244**	**1 168**
Items that are or may be later reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		10	-26
Fair value remeasurement reserve		-	1
Other comprehensive income for the period, net of tax		**10**	**-25**
Total comprehensive income for the period		**1 254**	**1 143**

	Note	2020	2019
Profit/-loss attributable to:			
Owners of the Company		1 062	958
Non-controlling interest	22	182	210
Profit/-loss for the period		**1 244**	**1 168**
Total comprehensive income attributable to:			
Owners of the Company		1 070	934
Non-controlling interest		**184**	**209**
Total comprehensive income for the period		**1 254**	**1 143**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As of 31 December 2020
In CZK million

	Note	2020	2019
Assets			
Property, plant and equipment	13	4 551	4 894
Intangible assets	14	136	216
Goodwill	14	4 532	4 530
Equity accounted investees	15	70	-
Financial instruments and other financial assets	25	67	90
Restricted cash	20	273	286
Trade receivables and other assets	18	439	441
Accruals and deferrals		30	29
Deferred tax assets	16	129	114
Total non-current assets		**10 227**	**10 600**
Inventories	17	1 743	1 398
Trade receivables and other assets	18	6 551	6 988
Financial instruments and other financial assets	25	462	937
Accruals and deferrals		105	143
Corporate income tax receivables		101	65
Restricted cash	20	1	9
Cash and cash equivalents	19	1 835	1 950
Assets held for sale	30	83	87
Total current assets		**10 881**	**11 577**
Total assets		**21 108**	**22 177**

	Note	2020	2019
Equity			
Share capital	21	1 036	1 036
Share premium	21	845	845
Capital and other reserves	21	-1 655	-1 923
Retained earnings		2 681	2 309
Total equity attributable to equity holders		**2 907**	**2 267**
Non-controlling interest	22	144	739
Total equity		**3 051**	**3 006**
Liabilities			
Loans and borrowings	23	7 811	5 315
Financial instruments and financial liabilities	25	518	670
Provisions	24	729	972
Deferred income	27	54	78
Deferred tax liabilities	16	73	119
Trade payables and other liabilities	26	179	306
Total non-current liabilities		**9 364**	**7 460**
Trade payables and other liabilities	26	5 975	6 351
Loans and borrowings	23	1 479	3 781
Financial instruments and financial liabilities	25	780	1 172
Provisions	24	184	206
Deferred income	27	113	71
Current income tax liability		162	130
Total current liabilities		**8 693**	**11 711**
Total liabilities		**18 057**	**19 171**
Total equity and liabilities		**21 108**	**22 177**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

In CZK million

	Attributable to owners of the Company									
	Share capital	Share premium	Non-distributable reserves and reserve fund from profit	Translation reserve	Revaluation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at the 1 January 2020 (A)	**1 036**	**845**	**100**	**-79**	**1**	**-1 945**	**2 309**	**2 267**	**739**	**3 006**
Total comprehensive income for the year:										
Profit or loss (B)	-	-	-	-	-	-	1 062	**1 062**	182	**1 244**
Other comprehensive income:										
Foreign currency translation differences for foreign operations	-	-	-	8	-	-	-	**8**	2	**10**
Total other comprehensive income (C)	-	-	-	**8**	-	-	-	**8**	**2**	**10**
Total comprehensive income for the period (D) = (B + C)	-	-	-	**8**	-	-	**1 062**	**1 070**	**184**	**1 254**
Contributions by and distributions to owners:										
Additional equity contribution by owners	-	-	259	-	-	-	-	**259**	-	**259**
Dividends to equity holders	-	-	-	-	-	-	-864	**-864**	-281	**-1 145**
Transfer to non-distributable reserves	-	-	1	-	-	-	-1	-	-	-
Total contributions by and distributions to owners (E)	-	-	**260**	-	-	-	**-865**	**-605**	**-281**	**-886**
Changes in ownership interests in subsidiaries without change of controlling interest										
Effect of changes in ownership interests on non-controlling interests	-	-	-	-	-	-	175	**175**	-498	**-323**
Changes in ownership interests in subsidiaries (F)	-	-	**260**	-	-	-	**175**	**175**	**-498**	**-323**
Total transactions with owners (G) = (E + F)	-	-	**260**	-	-	-	**-690**	**-430**	**-779**	**-1 209**
Balance at 31 December 2020 (H) = (A + D + G)	**1 036**	**845**	**360**	**-71**	**1**	**-1 945**	**2 681**	**2 907**	**144**	**3 051**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019
In CZK million

	Attributable to owners of the Company								Attributable to owners of the Company	
	Share capital	Share premium	Non-distributable reserves and reserve fund from profit	Translation reserve	Revaluation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2019	**1 036**	**845**	**99**	**-49**	**-**	**-1 945**	**1 611**	**1 597**	**786**	**2 383**
Adjustment on the initial application of IFRS 16 (net of tax)							-26	**-26**	-9	**-35**
Adjusted balance at the beginning of the year (A)	**1 036**	**845**	**99**	**-49**	**-**	**-1 945**	**1 585**	**1 571**	**777**	**2 348**
Total comprehensive income for the year:										
Profit or loss (B)	-	-	-	-	-	-	958	**958**	210	**1 168**
Other comprehensive income:										
Foreign currency translation differences for foreign operations	-	-	-	-25	-	-	-	**-25**	-1	**-26**
Revaluation reserve included in OCI	-	-	-	-	1	-	-	**1**	-	**1**
Total other comprehensive income (C)	**-**	**-**	**-**	**-25**	**1**	**-**	**-**	**-24**	**-1**	**-25**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-25**	**1**	**-**	**958**	**934**	**209**	**1 143**
Contributions by and distributions to owners:										
Dividends to equity holders	-	-	-	-	-	-	-238	**-238**	-242	**-480**
Transfer to non-distributable reserves	-	-	1	-	-	-	-1	**-**	-	**-**
Total contributions by and distributions to owners (E)	**-**	**-**	**1**	**-**	**-**	**-**	**-239**	**-238**	**-242**	**-480**
Changes in ownership interests in subsidiaries without change of controlling interest										
Effect of changes resulting from disposal of subsidiaries	-	-	-	-5	-	-	5	**-**	-5	**-5**
Changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-5**	**-**	**-**	**5**	**-**	**-5**	**-5**
Total transactions with owners (G) = (E + F)	**-**	**-**	**1**	**-5**	**-**	**-**	**-234**	**-238**	**-247**	**-485**
Balance at 31 December 2019 (H) = (A + D + G)	**1 036**	**845**	**100**	**-79**	**1**	**-1 945**	**2 309**	**2 267**	**739**	**3 006**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

In CZK million

	Note	2020	2019
OPERATING ACTIVITIES			
Profit/-loss for the period		**1 244**	**1 168**
Adjustment for:			
Income tax	12	456	431
Depreciation and amortisation	13, 14	952	1 025
Impairment losses/-gains on tangible and intangible assets	13, 14	84	-5
Loss/-gain from impairment of financial assets	11	-	9
Loss/-gain from the sale of tangible and intangible assets	9	-18	-21
Loss/-gain from the sale of inventories	9	-172	-146
Loss/-gain on the sale and disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interests	5	8	-9
Share in profit of equity accounted investees	15	-16	-
Loss/-gain on financial instruments	11	220	-90
Net interest expense	11	345	453
Change in provisions for the impairment of trade receivables and other assets, written-off items		14	182
Change in fair value of financial assets		-	1
Change in provisions		-129	383
Gain on a bargain purchase on acquisition of new subsidiaries	5	-	-7
Other non-cash operations		42	35
Unrealised exchange rate losses/-gains, net		-160	-75
Operating profit/(loss) before changes in working capital		**2 870**	**3 334**
Changes in trade receivables and other assets		654	-1 168
Changes in inventories (including sales)		-172	48
Changes in restricted accounts		21	2
Changes in trade payables and other liabilities		-937	378
Cash generated by /-used in operating activities		**2 436**	**2 594**
Interest paid		-112	-470
Income tax paid		-523	-470
Cash flows generated by /-used in operating activities		**1 801**	**1 654**

	Note	2020	2019
INVESTMENT ACTIVITIES			
Change in financial instruments other than at fair value		-	26
Borrowings provided to other companies		-134	-986
Repayment of borrowings provided to other companies		339	385
Sales of property, plant and equipment		99	153
Acquisition of property, plant and equipment		-477	-916
Sales of financial instruments		-45	77
Acquisition of subsidiaries and special purpose entities (net of acquired cash)	5	-	-284
Increase (-)/decrease of ownership interests in existing subsidiaries, joint ventures and associates		-263	-
Net cash inflow/-outflow from the sale of subsidiaries and special purpose entities (net of received dividends)		1	-4
Interest received		46	25
Cash flows generated by/-used in investment activities		**-434**	**-1 524**
Financial activities			
Borrowings received		4 037	10 499
Loans repaid		-3 767	-10 068
Acquisition of financial instruments		-695	-66
Additional equity contribution by owners		95	-
Payment of finance lease liabilities		-368	-310
Dividends paid out		-784	-450
Cash flows generated by/-used in financial activities		**-1 482**	**-395**
Net increase (decrease) in cash and cash equivalents		-115	-265
Balance of cash and cash equivalents at the beginning of the year		**1 950**	**2 205**
Effect of exchange rate fluctuations on cash		-	10
Balance of cash and cash equivalents at the end of the year		**1 835**	**1 950**

The notes to the consolidated financial statements on pages 46 to 143 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General Information

EP Industries, a.s. ("Parent Company", "Company" or "EPI") is a joint-stock company with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic. The Company was created as a result of the demerger of companies by spin-off from the original company Energetický a průmyslový holding, a.s. ("EPH") with the effective date of 30 September 2011.

EP Industries, a.s. was created based on an agreement of the shareholders of Energetický a průmyslový holding, a.s. to separate investments in industrial assets from power assets. All industrial businesses were therefore separated from the EPH group to the EPI group, which focuses on investments in industry and activities outside of the power sector. The main pillars of the EPI group's business are technical engineering activities and services.

The Company's primary activities are corporate investments in companies operating in the segments of power engineering, transport infrastructure and waste management.

The Company's consolidated financial statements for the year ended 31 December 2020 include the financial statements of the Parent Company and its subsidiaries (together referred to as the "Group" or the "EPI Group"). A list of entities in the Group is provided in Note 33 – Group Entities.

As of 31 December 2020 and 31 December 2019, the following entity was the Company's sole shareholder:

	Equity investment		Voting rights
	CZK million	%	%
EP INDUSTRIES HOLDING LIMITED	1 036	100,00	100,00
Total	**1 036**	**100,00**	**100,00**

The shareholders of EP INDUSTRIES HOLDING LIMITED as of 31 December 2020 and 2019 were as follows:

	Equity investment		Voting rights
	CZK million	%	%
EPI Holding, a.s.	497	48,00	48,00
BLYCONO SERVICES LIMITED	164	15,84	15,84
NERUNA LIMITED	375	36,16	36,16
Total	**1 036**	**100,00**	**100,00**

Board of Directors as of 31 December 2020:

- Jiří Nováček (Chairman of the Board of Directors)
- Hana Krejčí (Member of the Board of Directors)
- Pavel Horský (Member of the Board of Directors)

2. Basis of Preparation

A STATEMENT OF COMPLIANCE

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

The consolidated financial statements were approved by the Board of Directors on 15 June 2021.

B BASIS OF MEASUREMENT

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

- Derivative financial instruments;
- Financial instruments at fair value through profit or loss; and
- Financial instruments at fair value through other comprehensive income.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The accounting policies disclosed in the following paragraphs are applied consistently by all Group entities in the individual reporting periods.

C FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Czech crowns ("CZK") which is the Company's functional currency. All financial information presented in Czech crowns has been rounded to the nearest million.

D USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

I. ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the following years is included in the following notes:

- Notes 5 and 14 – accounting for business combinations, recognition of goodwill/gain on a bargain purchase, impairment testing of goodwill;
- Note 6 – revenues;
- Note 24 – recognition and measurement of provisions;
- Notes 23, 25 and 31 – measurement of loans and borrowings and financial instruments.

FAIR VALUE MEASUREMENT

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all material fair value measurements, including Level 3 fair values.

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

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

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

Level 2: inputs other than quoted prices of assets and liabilities included in Level 1 that are observable on the market either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised at a different level of the fair value hierarchy, then the fair value measurement is categorised in its entirety at the same fair value level as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between fair value levels at the end of the reporting period in which the change occurred.

II. JUDGEMENTS

Information about judgements made in the application of accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 5 and 14 – accounting for business combinations, recognition of goodwill/gain on a bargain purchase, impairment testing of goodwill;
- Note 6 – judgements related to the recognition of revenue from customers; and
- Note 24 – recognition and measurement of provisions.

E APPLICATION OF NEW AND AMENDED IFRS STANDARDS

I. AMENDMENTS TO STANDARDS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 THAT HAVE BEEN APPLIED IN PREPARING THE GROUP'S FINANCIAL STATEMENTS

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)

As the IASB amended the Conceptual Framework in 2018, it also amended the references to the Conceptual Framework in the IFRS standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. The objective was to provide help in the transition to the amended Conceptual Framework to companies that create their accounting policies and methods using the Conceptual Framework in situations where no IFRS standard applies to the relevant transaction.

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

Amendment to IFRS 3: Definition of a Business (effective for annual periods beginning on or after 1 January 2020)

The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that for an acquired set of activities and assets to be considered a business, it has to contain at least an input and substantive process that together significantly contribute to the ability to create outputs. The amendments also narrow down the definition of a business and outputs by focusing on goods and services provided to customers and eliminating a reference to the ability to lower costs.

The amendment has no material impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after 1 January 2020)

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

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

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)

The amendments modify some specific hedge accounting requirements to allow the application of hedge accounting to the relevant hedges even during a period of uncertainty before the hedged items or hedging instruments that are affected by the existing benchmark interest rates (such as interbank offered rates, primarily LIBOR rates) change as a result of the ongoing interest rate benchmark reform.

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

Amendments to IFRS 16 – Covid-19-Related Rent Concessions (effective from 1 June 2020 at the latest for annual periods beginning on or after 1 January 2020)

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

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

II. STANDARDS AND NOVELISATIONS NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following significant standards and amendments to standards have been issued but are not yet effective for the period ended 31 December 2020 and thus have not been adopted by the Group:

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023 (the EU has not yet adopted this standard)) and IFRS 4 – Extension of the Temporary Exemption from applying IFRS 9 (effective for annual periods beginning on or after 1 January 2021)

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

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

Amendments to IFRS 3 – Update to Reference to the Conceptual Framework, IAS 16 – Proceeds before Intended Use, IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract, and Annual Improvements to IFRSs – 2018-2020 cycle (effective for annual periods beginning on or after 1 January 2022 (the EU has not yet adopted these amendments))

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

Annual amendments amend the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplifying the application of IFRS 1 for a subsidiary which is a first-time adopter after the parent company was a first-time adopter, defining the reporting of cumulative exchange rate differences), IFRS 9 Financial Instruments (clarifying what fees an entity includes in an assessment whether the conditions of a new or modified financial

liability have substantially changed compared to the conditions of the original liability), IAS 41 Agriculture (removing the requirements for the exclusion of cash flows relating to taxation in the determination of fair value) and illustrative examples accompanying IFRS 16 Leases.

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

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (not yet adopted by the EU)

The amendments address the inconsistency between the requirements of IFRS 10 and IAS 28 and clarify that in a transaction involving an associate or joint venture, the extent of reporting profit or loss depends on whether the assets sold or contributed constitute a business.

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

Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021 (not yet adopted by the EU)

The amendments extend the validity of the amendment to IFRS 16 effective from 1 January 2020, which provides a practical expedient to make it possible for the lessee not to assess whether the rent concession as a direct consequence of COVID-19 is a lease modification. The lessee may report rent concessions as if they were not lease modifications. The amendments do not address reporting by the lessor.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021)

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

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023 (not yet adopted by the EU))

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

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

Amendments to IAS 1 – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023 (not yet adopted by the EU))

The amendments require entities to disclose their material accounting policies instead of their significant accounting policies and provide guidelines and examples to help entities decide which accounting policies should be disclosed in the financial statements.

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

Amendments to IAS 8 – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023 (not yet adopted by the EU))

The amendments focus on accounting estimates and provide guidance on distinguishing between accounting policies and accounting estimates.

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

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023 (not yet adopted by the EU))

The amendments clarify that an entity will not apply the initial recognition exemption to transactions that give rise to equal taxable and deductible temporary differences, but has to recognise the related deferred tax asset or liability, with the recognition of the potential deferred tax asset are related to recoverability criteria under IAS 12.

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

F CHANGES IN ACCOUNTING POLICIES

To provide a fair view, the Group decided in 2020 to recognise corporate income tax receivables as a separate line in the consolidated statement of financial position. Other tax receivables are reported as part of trade receivables and other assets in the consolidated statement of financial position. For the sake of comparability, the Group also adjusted the reporting of tax receivables in the consolidated statement of financial position for the year ended 31 December 2019.

3. Significant Accounting Policies

A BASIS OF CONSOLIDATION

The Group recognises business combinations using the acquisition method when control is transferred to the Group. The amount paid on acquisition is measured at fair value, as well as the net value of identifiable assets. The arising goodwill is tested for impairment annually. Gain on a bargain purchase on acquisition of new subsidiaries is immediately reported in the income statement. Transactions costs are expensed, with the exception of cases related to debt or equity securities.

I. SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control (controlling influence) exists when the Company has power over the investee, it is exposed to variable revenues based on its involvement in this entity and it is able to use its control over this entity to influence the amount of its revenues. The existence and impact of potential voting rights that are substantive is considered in assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether or not control is actually exercised. The financial statements of subsidiaries are included in the consolidated financial statements from the date of commencement of control until the date of termination of control.

II. EQUITY ACCOUNTED INVESTEES

Associates/joint ventures are enterprises in which the Group has a significant yet not controlling influence over financial and operating policies. Investments in associates/joint ventures are accounted for under the equity method and initially recognised at cost. The consolidated financial statements include the Group's share of the total profit or loss and other comprehensive income of associates/joint ventures from the date on which the significant influence commences until the date of its termination. When the Group's share of losses exceeds the carrying amount of the investment in an associate/joint venture, the carrying amount is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group's obligations towards the associate/joint venture have incurred, or where the Group made payments on behalf of the associate/joint venture.

Any goodwill arising from the acquisition of an associate/joint venture is included at the carrying amount of investments in associates/joint ventures. The gain on a bargain purchase of an associate/joint venture is recognised in the statement of comprehensive income in the period of acquisition.

III. ACCOUNTING FOR BUSINESS COMBINATIONS

The Group acquired its subsidiaries in two ways:

- as a business combination transaction within the scope of IFRS 3 which requires initial measurement of assets and liabilities at fair value;
- as a business combination under common control which is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such acquisitions are excluded from the scope of IFRS 3. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements (i.e. value at cost at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or gain on a bargain purchase is recognised on these acquisitions.

IV. NON-CONTROLLING INTERESTS

Acquisitions of non-controlling interests are accounted for as transactions with shareholders as equity holders; therefore no goodwill and no gain or loss arising from such transactions is recognised.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as an equity transaction.

V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions as well as any unrealised income and expenses arising therefrom are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions with associates and entities under common control are eliminated against investments to the extent of the Group's interest in the respective entity. Unrealised losses are eliminated in the same way as unrealised gains solely to the extent that there is no evidence of potential impairment.

VI. UNIFICATION OF ACCOUNTING POLICIES

The accounting policies and procedures applied by consolidated entities in their financial statements were unified in the consolidation, in line with the accounting policies applied by the Parent Company.

VII. PRICING DIFFERENCES

In 2011, the Group accounted for pricing differences which arose from establishment of the Group as of 30 September 2011. The creation of the EPI group was accounted for similarly to the acquisition of subsidiaries under common control of the Energetický a průmyslový holding, a.s. group, and therefore excluded from the scope of IFRS 3, which defines the recognition of goodwill raised from a business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Business combinations under common control are reported at the historical value reported in the financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward at the acquisition date was recorded to consolidated equity as pricing differences presented within other capital reserves.

VIII. DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND SPECIAL PURPOSE ENTITIES

Gain or loss from the sale of investments in subsidiaries and associates is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

If the assets and liabilities are sold by selling the interest in a subsidiary or an associate the profit or loss on sale is recognised in total under Gain (loss) on disposal of subsidiaries, associates and special purpose entities in the statement of comprehensive income.

If the Group disposes of a subsidiary that was acquired under a common control transaction and pricing differences were recognised on the acquisition (refer to Note 3(a) vii – Pricing differences), the pricing differences are reclassified from other capital reserves to retained earnings at the date of the subsidiary's disposal.

B FOREIGN CURRENCY

I. FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Czech crowns, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated to the respective functional currencies of Group entities using the foreign exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities using the exchange rate at the reporting date; where the functional currency includes Czech crowns, the exchange rate of the Czech National Bank is used.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical (acquisition) cost, are translated to the respective functional currency of Group entities using the foreign exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies using the foreign exchange rates at the date of determining fair value.

Foreign exchange differences arising on foreign currency translation are recognised in profit or loss, except for differences arising on the remeasurement of available-for-sale equity instruments (this does not include permanent impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial instrument designated as a hedge of the net investment in a foreign operation, or cash flow hedges to the extent that the hedge is effective, in which case foreign exchange differences arising on foreign currency translation are recognised in other comprehensive income.

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 31 – Risk Management Policies and Disclosures.

II. FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Czech crowns at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated into Czech crowns using a foreign exchange rate that approximates the foreign exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the foreign operation is not a fully owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. At disposals relevant part of translation reserve is recycled to financial income or expense in the statement of comprehensive income.

C NON-DERIVATIVE FINANCIAL ASSETS

I. CLASSIFICATION

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

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

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

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

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

The Group may make an irrevocable election at initial recognition for particular investments in *equity instruments* that would otherwise be measured at fair value through profit or loss (as described below) and are not held for trading to present subsequent changes in fair value in other comprehensive income. The Group has share securities classified as financial assets *at fair value through other comprehensive income*.

All investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represent the best estimate of fair value within that range. The Group uses all information about the performance and operations of the investee that becomes available after the date of initial recognition. To the extent that any such relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the Group must use fair value. Cost is never the best estimate of fair value for investments in quoted instruments.

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

The Group may, upon initial recognition, irrevocably designate a financial asset that would be otherwise measured at amortised cost or at FVOCI as measured at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on a different basis.

II. RECOGNITION

Financial assets are recognised on the date the Group becomes party to the contractual provision of the instrument.

III. MEASUREMENT

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

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

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and reclassified to profit or loss upon derecognition of the asset.

Equity instruments at FVOCI are subsequently measured at fair value. Dividends are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

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

IV. DERECOGNITION

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

V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

D NON-DERIVATIVE FINANCIAL LIABILITIES

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

The Group derecognises a financial liability when the respective contractual obligations have been discharged, cancelled or have expired.

E DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge exchange rate, interest rate and commodity risk exposures.

Derivatives are initially recognised at fair value, with attributable transaction costs presented directly in the statement of comprehensive income. Subsequent to the initial recognition derivatives are measured at fair value, with relating changes accounted for in a manner described below.

I. OTHER NON-TRADING DERIVATIVES

When a derivative financial instrument is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

II. SEPARABLE EMBEDDED DERIVATIVES

Financial and non-financial contracts that are financial liabilities within the scope of IFRS 9 (that are not themselves measured at fair value through profit or loss) are subject to an assessment in order to determine whether they contain embedded derivatives.

Embedded derivatives are separated from the host contract and reported separately if the economic characteristics and risks of the host contract are not closely connected to the characteristics and risks of the embedded derivative; a separate instrument with the same features as the embedded derivatives would meet the definition of a derivative; and a combined instrument is not measured at fair value through profit or loss. As for hybrid contracts that are financial assets, the entire contract is assessed with respect to SPPI criteria.

Changes in fair value of separable embedded derivatives are recognised immediately in profit or loss.

III. CASH FLOW HEDGES AND FAIR VALUE HEDGES

The majority of financial derivatives are held for hedging purposes but do not meet the criteria for hedge accounting as stated by IFRS 9. These derivatives are designated for trading, and related gains and losses from changes in fair value are recognised in profit or loss.

Hedging instruments which consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

In the case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss. In case the future transaction is expected to occur, then the balance remains in equity and is reclassified to profit or loss when the transaction occurs.

The hedged item is remeasured for changes in fair value attributable to the hedged risk during the period of the hedging relationship. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognised in profit or loss, except for the financial asset – equity instrument at FVOCI, for which the gain or loss is recognised in other comprehensive income.

In the case of a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss.

F CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturity of no more than three months.

G INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The net realisable value is an estimated sales price in arm's length conditions, less the estimated cost of completion and expenses of sale.

Purchased inventory and inventory in transit are initially stated at acquisition cost, which includes the purchase price and other expenses directly attributable to the purchase of inventories and bringing them to their current location and condition. Inventories of a similar nature are valued using the weighted average method.

Internally developed inventory and work in progress are initially stated at production costs. Production costs include direct costs (direct material, direct wages and other direct costs) and part of overhead costs directly attributable to the production of inventory (production overheads). The valuation is adjusted to net realisable value if this amount is lower than production costs.

H IMPAIRMENT

I. NON-FINANCIAL ASSETS

The carrying amounts of the Group's assets, other than inventories (refer to Note 3(g) – Inventories), and deferred tax assets (refer to Note 3(n) – Income taxes) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount will be estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same date.

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest identifiable group of assets generating cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

Impairment losses recognised in respect of CGUs are allocated to initially reduce the carrying amount of any goodwill allocated to the CGUs, and subsequently to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on *a pro rata* basis.

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment on an individual basis. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in the associate may be impaired.

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

The Group measures loss allowances using expected credit loss ("ECL") model for financial assets at amortised cost, debt instruments at FVOCI and contract assets. Loss allowances are measured on either of the following bases:

- 12-month ECLs: ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

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

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortised cost and investments in equity instruments are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group considers financial asset to be credit-impaired if:

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

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

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

(d) the probability of default of the borrower increases by 100% compared to the previous rating (not relevant condition in ECL model for intercorporate loans and receivables); or

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

PRESENTATION OF LOSS ALLOWANCES

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income.

III. EQUITY-ACCOUNTED INVESTEES

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the statement of comprehensive income, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

I PROPERTY, PLANT AND EQUIPMENT

I. OWNED ASSETS

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to 3 (h) – Impairment). Opening balances are presented at net book values, which include adjustments from revaluation as part of the purchase price allocation process.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of assets developed internally includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to Note 3 (m) – Finance income and costs). The cost also includes costs of dismantling and removing individual items and bringing the locality into original condition.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at fair value until construction or development is complete, at which time it is classified as investment property.

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

II. SUBSEQUENT COSTS

Subsequent costs are capitalised only if it is likely that the Group will obtain future economic benefits inherent in an item of property, plant and equipment and the cost thereof can be reliably measured. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are presented in the statement of other comprehensive income as incurred.

III. DEPRECIATION

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

The estimated useful lives are as follows:

- Buildings and structures 5–50 years
- Machinery and equipment 4–20 years
- Other fixed assets 3–20 years

Depreciation methods, useful lives and carrying amounts are reassessed annually at the reporting date. For companies acquired under IFRS 3 for which a purchase price allocation was prepared, the useful lives are reassessed based on the purchase price allocation process.

J INTANGIBLE ASSETS

I. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under intangible assets. Goodwill on acquisitions of associates/joint ventures is included in the carrying amount of investments in associates/joint ventures.

If the consideration transferred by the Group in a business combination includes an arrangement on contingent consideration, the contingent consideration is measured at fair value as of the acquisition date and becomes part of the consideration transferred in the business combinations. Changes in fair value of the contingent consideration that are classified as changes within the measurement period are made retrospectively along with the related adjustment to goodwill. Changes in the measurement period. are changes that arise from additional information obtained during the "measurement period" (which must not exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

Subsequent recognition of changes in fair value of the contingent consideration that cannot be considered as changes within the measurement period depend on the classification of the contingent consideration. Contingent consideration classified as equity is not remeasured as of the dates of subsequent financial statements and its subsequent payment is recognised in equity. Other contingent consideration is remeasured at fair value as of the dates of subsequent financial statements with related reporting of changes in fair value in profit or loss.

If a business combination is achieved in stages, the equity interest in the aquiree previously held by the Group (including joint operations) is remeasured at fair value as of the acquisition date and any gains or losses are reported in profit or loss. Amounts rising from equity interests in the aquiree before the acquisition date that were previously recognised in other comprehensive income are reclassified to profit or loss, provided that such a course of action would be appropriate if the equity interest was sold.

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the recognition is incomplete. These provisional amounts are adjusted during the measurement period (see above) or additional assets and liabilities are recognised to reflect newly obtained information about facts and circumstances that existed as of the acquisition date and, if known, would have affected the amounts determined as of that date

If the Group's share in the fair value of identifiable assets and liabilities of a subsidiary, associate and a joint venture at the acquisition date exceeds the acquisition cost, the Group will reassess the identification and measurement of identifiable assets and liabilities, including the acquisition cost. Any excess arising on the re-measurement (gain on a bargain purchase) is recognised in the statement of comprehensive income in the period of acquisition.

No goodwill is recognised upon the acquisition of non-controlling interests.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to Section 3(h) – Impairment) and is tested annually for impairment on an annual basis.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired in a business combination are recognised at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other statutory rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recognised at cost less any impairment losses (refer to Section 3(h) – Impairment). Intangible assets with a definite useful life are amortised over their useful lives and recognised at cost less accumulated amortisation (see below) and impairment losses (refer to Section 3(h) – Impairment).

II. RESEARCH AND DEVELOPMENT

Expenditure on research activities undertaken with the aim of obtaining new scientific and technical findings and knowledge is recognised directly in other comprehensive income.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be reliably measured, the product or process is technically and economically feasible, future economic benefits are likely to be generated in the future and the Group intends and has sufficient resources to complete the development and to use or sell the asset.

In 2020 and 2019, the development costs incurred by the Group did not meet the above criteria and they were therefore reported in the statement of comprehensive income.

III. SOFTWARE AND OTHER INTANGIBLE ASSETS

Software and other intangible assets acquired by the Group that have definite useful lives are stated at cost less accumulated amortisation (see below) and impairment losses (refer to Section 3(h)– Impairment).

Intangible assets that have an indefinite useful life are not amortised and, instead, are tested for impairment on an annual basis. Their useful lives are reviewed at each period-end to assess whether events and circumstances in support of indefinite useful lives continue to exist.

IV. AMORTISATION

Amortisation is recognised in the statement of comprehensive income over the estimated useful lives of intangible assets other than goodwill on a straight-line basis from the date when the asset is put into operation.

The estimated useful lives are as follows:

- Software 2–4 years
- Other intangible assets 2–6 years

Amortisation methods, useful lives and carrying amounts are reviewed at each financial year-end and adjusted when necessary.

K PROVISIONS

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are recognised in the expected amount of settlement. Long-term obligations are recognised at the present value of their anticipated performance value (if the effect of discount is material), with the discount rate based on the pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income under finance expense.

The effects of changes in interest rates, inflation rates and other factors are recognised in profit or loss in operating income or expenses. Changes in estimated provisions may arise predominantly from deviations from originally estimated expenses, changes in the settlement date or in the scope of the relevant liability. Changes in estimates are generally recognised in the statement of comprehensive income at the date of changing the estimate.

I. EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS

The Group's net liability relating to long-term employee benefits (excluding pension plans) is defined as an amount of the future payments, to which employees will be entitled in return for their service in the current and prior periods. This liability which is calculated using the projected unit credit method and discounted to its present value. The discount rate used is based on yields of high-quality corporate bonds at the end of the reporting period, which maturity approximately corresponds with the maturity of the future obligation of the Group.

The Group does not provide pension plans (plans of defined benefits after the termination of employment) pursuant to IAS 19.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II. WARRANTIES

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and weighting of all possible outcomes against associated probabilities.

III. PROVISION FOR LEGAL DISPUTES

The settlement of a legal dispute is an individual contingent liability. It is determined as the best estimate of potential impacts determined based on a legal analysis and adjusted for all risks and uncertainties.

IV. RESTRUCTURING

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

V. ASSET RETIREMENT OBLIGATION AND PROVISION FOR ENVIRONMENTAL REMEDIATION

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognised in connection with the initial recognition of the related assets, provided that the obligation can be reliably estimated. The carrying amounts of the related items of property, plant and equipment are increased by the same amount that is subsequently amortised as part of the depreciation process of the related assets.

A change in the estimate of a provision for the decommissioning and restoration of property, plant and equipment is generally recognised against a corresponding adjustment to the related assets, with no effect on profit or loss. If the related items of property, plant and equipment have already been fully depreciated, changes in the estimate are recognised in profit or loss.

No provisions are recognised for contingent asset retirement obligations where the type, scope, timing and associated probabilities cannot be determined reliably.

VI. ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

VII. WASTE MANAGEMENT – PROVISION FOR THE RESTORATION AND REHABILITATION OF LANDFILLS

The creation of a new landfill entails the obligation to recognise a restoration provision. The provision must be reported as property, plant and equipment (IAS 16) at the present value of future expenses related to the restoration of the landfill and its subsequent maintenance. This value is essentially based on the amount of additional tonnes of waste in the relevant period.

On initial recognition, the landfill and the restoration provision have the same carrying amount. Based on the rules for subsequent valuation specified below, their carrying amount begins to differ: assets are depreciated over their useful lives, the discounted provision increases over time by the change in the current value based on discount rates. The regular unwinding of the discount is reported in the statement of comprehensive income as financial expenses. The value of the provision also changes as a result of its use to cover the costs of restoration over the lifetime of the landfill.

Changes in the provision estimate are charged or credited to the relevant asset if the asset has not been fully depreciated. If the value of the asset increases as a result of the increase in the provision, IFRIC 1 requires the performance of a new estimate of the return on the asset in line with IAS 36. After the end of the asset's useful life, the increase in the reserve is recognised directly in profit or loss.

A restricted bank account used for the restoration provision does not meet the criteria for recognition under cash and cash equivalents, and it is therefore reported separately as Restricted cash in the statement of financial position.

L REVENUES

I. REVENUE FROM CONTRACTS WITH CUSTOMERS

Entities use a five-step model to determine when and at what amount revenue should be recognised.

The model specifies that revenue should be recognised when an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on the criteria for meeting the performance obligation, the revenue is recognised:

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

Revenue is not reported if the Group has substantial doubts about obtaining the consideration due, about the related costs or about the possibility of returning the goods.

OWN PRODUCTS AND GOODS

Revenue from the sale of own products and goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Discounts are recognised as a reduction of revenue as the sales are recognised, if it is probable that discounts will be granted and the amount can be measured reliably.

Revenues recognised over time are reported in the statement of comprehensive income proportionately to the level of progress of the transaction as of the balance sheet date. The level of progress is assessed based on the overview of work performed.

NON-CASH CONSIDERATION RECEIVED

The Group measures the non-cash consideration received at fair value. The revenue is then recognised over the estimated time of the service provided for which the consideration is received.

II. GRANTS

Grants and subsidies are recognised initially at fair value as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses the grant is intended to compensate are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

III. RENTAL INCOME

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

M FINANCE INCOME AND EXPENSES

I. FINANCE INCOME

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange rate gains, gains on sale of investments in securities and gains from hedging instruments that are recognised in profit or loss. Interest income is presented in the statement of comprehensive income on an accrual basis using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive the respective payment has been established.

II. FINANCE EXPENSE

Finance expenses comprise interest expense on loans and borrowings, increase of the discount on provisions over time, foreign exchange rate losses, changes in the fair value of financial assets recognised at fair value through profit or loss, the costs of fees and commissions for payment transactions and guarantees, impairment losses recognised on financial assets, and losses on hedging instruments recognised in profit or loss.

III. BORROWING COSTS

Borrowing costs that arise in connection with the acquisition, construction or production of the respective asset (from acquisition or the beginning of construction or production to putting the respective asset into use) are capitalised and subsequently amortised along with the related asset. In the event of a specific financing arrangement, the respective borrowing costs for that arrangement are used. For non-specific financing arrangements, borrowing costs to be capitalised are determined as a weighted average of the borrowing costs.

N INCOME TAXES

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

Current tax comprises the expected tax payable or receivable calculated based on the taxable income or loss for the current period, using tax rates applicable at the reporting date, and any adjustments to the tax payable relating to prior years.

Deferred tax is measured using the balance sheet method which is based on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their amounts for taxation purposes. No deferred tax is calculated from the following temporary differences: temporary differences arising from assets or liabilities the initial recognition of which (if it is not a business combination) affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and entities under joint control to the extent that it is probable that they will not reverse such temporary differences in the foreseeable future. No deferred tax is recognised upon the initial recognition of goodwill.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and if such assets and liabilities are subject to income taxes imposed by the same tax authority on the same taxable entity, or on different tax entities with the intention to settle current tax liabilities and assets on a net basis. Tax assets and receivables may also be offset when they are realised simultaneously.

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

O DIVIDENDS

Dividends are recognised as equity interests upon approval by the Company's shareholders.

P NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group's relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Gains are not recognised in excess of any cumulative impairment loss.

Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in the statement of comprehensive income as profit or loss from continuing operations.

Any separate major line of business or geographical area of operations or significant part of business, which is decided to be sold, or subsidiaries acquired exclusively to be sold, are classified as discontinued operations and is presented in the statement of comprehensive income under separate line Profit (loss) from discontinued operations, net of tax.

The Group is considered a "private equity group" that searches for alternative financing sources for innovative projects or enterprises with a potential for fast growth that are in line with the Group's other activities, allow increasing the value added via integration of activities or represent a possibility of efficient appreciation of funds. The companies that the Group finds interesting are especially those that have a potential for strong growth, value generation and market share growth or whose activities can be profitably expanded though acquisitions. Since sales and purchases of companies are part of the Company's ordinary activities, only direct negotiations on the sale of a company are presented as assets held for sale. Early stage negotiations are therefore not considered as discontinued activities.

Q LEASES

I. DEFINITION OF A LEASE

A contract constitutes or contains a lease if it transfers the right to use the identified asset to a customer for a specific term in exchange for a consideration. Control occurs if the customer is entitled to receive all the economic benefits from the use of the identified asset and the right to control the use of the asset.

The Group decided not to report right-of-use assets and lease liabilities with respect to low-value assets and short-term leases (with lease term of 12 months or less). With respect to these leases, the Group reports lease payments as expenses.

The entity applies this policy to all leases, including leases with right of use as part of a sublease, with the exception of leases for the purpose of exploration or use of deposits of minerals, oil, natural gas and similar renewable sources; leases of biological assets held by the lessee within the scope of IAS 41 *Agriculture*; provision of service concessions within the scope of IFRIC 12 *Service Concession Arrangements*; intellectual property licences provided by the lessor within the scope of IFRS 15 *Revenue from Contracts with Customers* and intangible assets within the scope of IAS 38 *Intangible Assets*.

II. LESSOR ACCOUNTING

The lessor classifies a lease either as a finance lease or as an operating lease. A lease is classified as a finance lease if substantially all the risks and benefits arising from the ownership of the underlying asset are transferred. A lease is classified as an operating lease if substantially all the risks and benefits arising from the ownership of the underlying asset are not transferred.

With respect to finance leases, the lessor reports the assets in the statement of financial position as a receivable corresponding to the net financial investment in the lease. Over the lease term, financial income is reported in the statement of comprehensive income.

With respect to operating leases, the lessor reports the underlying asset in the statement of financial position. Over the lease term, lease payments are reported on a straight-line basis as income, and depreciation of the underlying asset as expenses.

III. LESSEE ACCOUNTING

IFRS 16 removes the lessor's obligation to classify leases as either operating or finance leases. There is a possibility of exemption for short-term leases (lease term of 12 months or less) and leases of low-value assets (lower than the equivalent of EUR 5,000). The Group decided not to report right-of-use assets for these leases. Lease payments are reported on a straight-line basis over the lease term as expenses.

As of the commencement date of the lease arrangement, the lessee offsets the right-of-use asset against the lease liability valued at the present value of lease payments that have not been paid as of that date. Lease payments are discounted using the implicit interest rate of the lease, if this rate can be readily determined. If this rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is determined based on the interest rates of selected external financial sources and adjustments reflecting the lease term.

The lease liability is then measured at amortised cost based on the effective interest rate method. The lease liability is remeasured if a change occurs in:

- Future lease payments based on a change in an index or rate;
- Estimated future amounts due as part of the guaranteed residual value;
- Assessment of exercising a purchase, extension or termination option; or
- Substantially fixed lease payments.

When a lease liability is remeasured, the carrying amount of the right-of-use asset is adjusted accordingly. If the value of the right-of-use asset has decreased to zero, the adjustment is reported in profit or loss.

The Group reports right-of-use assets as part of property, plant and equipment on the same line as the underlying assets of the same nature that it owns. On initial recognition, right-of-use assets are valued at cost and subsequently at cost net of any accumulated depreciation and impairment losses and adjusted for some remeasurements of this lease liability.

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

IV. LEASE OF LAND OR LEASE OF LAND AND BUILDING

Lease of land not affected by IAS 40 or IAS 2 always represents an operating lease. With respect to leases of a building and land, the total rental is divided proportionally into rental for the building and rental for the land in line with the fair value.

V. SERVICE PART OF THE LEASE PAYMENT

Group companies that recognise leases of vehicles do not separate the service fee from lease payments.

The lease liability is calculated using aggregate lease payments. With respect to other lease contracts, the service fee is separated from the lease payments. The service fee is reported in the statement of comprehensive income as a short-term expense, the remaining portion is used to calculate the lease liability.

VI. LEASE TERM

The lease term is determined as of the lease commencement date as the non-cancellable lease term together with terms of the extension (or termination) option, if the Group is sufficiently certain it will exercise this option.

For lease contracts with an indefinite lease term, with a termination option for the lessor and the lessee, the Group considers the lease term to be the longer of (i) the notice period for the termination of the lease, or (ii) another period when significant economic penalties will be applied, discouraging the Group from the termination. If the lease term is set as shorter than 12 months, the Group applies the exemption and assesses the transaction as a short-term lease.

VII. SUBLEASE

The classification of subleases into finance and operating subleases is governed primarily by the original contract. If the primary contract is short-term, it always represents an operating lease arrangement, and the characteristics of the actual sublease are assessed. When assessing the classification, the value of the right-of-use asset is taken into account, not the value of the underlying asset. If the lessee provides or expects to provide a sublease, the primary lease arrangement does not meet the condition of a lease of low-value assets.

VIII. RENEWAL OPTION

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

4. Determination of Fair Values

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

A PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values or the income approach method. The market value of property is an estimated amount for which a property could be exchanged at the measurement date between a willing buyer and a willing seller in an arm's length transaction after reasonable marketing has been made whereby the parties acted knowledgeably and at their own will. The income approach determines the value of property based on its ability to generate desired cash flows the owners. The key objective of the income method is to determine the property value as an economic benefit function.

B INTANGIBLE ASSETS

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use or potential sale of the assets.

C INVENTORIES

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the costs of completion and sale, and a reasonable profit margin reflecting the effort made to complete and sell the inventories.

D NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is based on their quoted market price at the reporting date without any deduction of transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by the management using pricing models or discounted cash flows methods.

Where discounted cash flow methods are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar conditions. Where pricing models are used, the model inputs are based on market rates at the reporting date.

The fair value of trade and other receivables, excluding construction work in progress but including receivables from services provided based on a concession, is estimated as the present value of future cash flows, discounted at the market interest rate at the reporting date.

The fair value of trade and other receivables and held-to-maturity investments is only determined for disclosure purposes.

E NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows from a principal and interest, discounted using the market interest rate at the reporting date. For finance leases the market interest rate is determined by reference to similar lease agreements.

F DERIVATIVES

The fair value of forwards is based on their quoted market price, if this price is available. If the quoted market price is not available, the fair value is estimated based on the discounting of the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (derived from the interest rate of government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for adequacy by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of other derivatives (currency, commodity or foreign consumer indices) embedded in contracts is estimated by discounting the difference between the contractual forward values and the current forward values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon).

Fair values reflect the credit risk of the instrument and, when appropriate, include adjustments considering the credit risk attributable the Group entity and counterparty.

5. Acquisitions, Investments in and Sales of Subsidiaries, Special-Purpose Vehicles, Joint Ventures and Associates

A ACQUISITIONS AND STEP ACQUISITIONS

I. 31. DECEMBER 2020

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Other conside-ration	Equity interest acquired %	Equity interest after acquisition %
New associate or joint venture						
Winning Automotive a.s. and its subsidiaries Winning BLW GmbH and Winning BLW Management GmbH	01/12/2020	52	-	-52	50	50
Total		**52**	**-**	**-52**	**-**	**-**

No significant acquisitions of subsidiaries or special purpose vehicles took place in 2020.

II. 31 DECEMBER 2019

In CZK million

	Date of acquisition	Purchase price	Cash outflow	Other conside-ration	Equity interest acquired %	Equity interest after acquisition %
New subsidiary						
EZ-ELEKTROSYSTÉMY Košice s.r.o.	08/01/2019	49	-49	-	100	100
ELQA, s.r.o.	09/01/2019	133	-133	-	100	100
Elektrovod a.s.	18/01/2019	1	-1	-	100	100
Fintherm a.s.	30/04/2019	87	-87	-	100	100
PEZ – projekce energetických zařízení s.r.o.	25/06/2019	8	-8	-	100	100
T.O.O., spol. s r.o.	26/09/2019	39	-39	(1)5	100	100
ALCEDO IS, s.r.o.	17/12/2019	13	-13	7	(2)100	(2)100
Total		**330**	**-330**	**12**	**-**	**-**

(1) Other consideration represents the outstanding payment of the purchase price that will be paid if certain economic criteria specified in the purchase contract are met.
(2) The effective equity interest of the EPI Group is 67,5%.

ACQUISITION OF NON-CONTROLLING INTERESTS

As of 23 December 2020, the Group acquired a 100% equity investment in SELIMETO SE. SELIMETO SE owns a 10% equity investment in PIRAMEL ENTERPRISES LIMITED. The Group thereby indirectly acquired a 10% equity investment in PIRAMEL ENTERPRISES LIMITED and became its 100% owner. At the same time, it became the 100% owner of the entire PIRAMEL ENTERPRISES LIMITED subgroup. For a list of entities included in the PIRAMEL ENTERPRISES LIMITED subgroup, refer to Note 33 – Group Entities.

In 2019, the Group acquired no additional interest in any of its companies.

B EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2020

No significant acquisitions of subsidiaries or special purpose vehicles took place in 2020.

II. 31 DECEMBER 2019

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of EZ-ELEKTROSYSTÉMY Košice s.r.o., ELQA, s.r.o., Elektrovod a.s., Fintherm a.s., PEZ – projekce energetických zařízení s.r.o., T.O.O., spol. s r.o. and ALCEDO IS, s.r.o. are provided in the following table:

In CZK million

	Carrying amount(1)	Fair value adjustment	2019 Total
Property, plant, equipment, land, buildings	88	-	88
Inventories	65	-	65
Trade receivables and other assets	124	-	124
Cash and cash equivalents	46	-	46
Deferred tax asset	2	-	2
Provisions	-1	-	-1
Loans and borrowings	-31	-	-31
Deferred tax liabilities	-2	-	-2
Trade payables and other liabilities	-77	-	-77
Net identifiable assets and liabilities	**214**	**-**	**214**
Non-controlling interest			-
Goodwill			135
Gain on a bargain purchase on acquisition of new subsidiaries			-7
Cost of acquisition			**342**
Consideration paid, satisfied in cash (A)			330
Other consideration			12
Total consideration transferred			**342**
Less: Cash acquired (B)			46
Net cash inflow (outflow (C) = (B – A)			**-284**

(1) Represents values at 100% share.

III. RATIONALE FOR ACQUISITIONS

The Group's strategic reasons for making the acquisitions include several factors, such as:

- The subsidiary's business complements EPI's portfolio;
- Potential for synergistic effects;
- The subsidiary has a good market position; and
- The relevant industry is likely to grow going forward.

One of the Group's strategic goals is to further expand in the industries of the countries in which the Group operates. Another objective of the Group is to further strengthen its position and become a significant market player.

The Group's view is that there is a long-term strategic value in these investments due to the development of the market and this resulted in historical goodwill in the total amount of CZK 4 532 million as of 31 December 2020. For the development of historical goodwill, please refer to Note 14 – Intangible assets (including goodwill).

In 2020, the Group reported no impairment loss arising from goodwill (2019: CZK 0 million).

The following table provides information on revenues and profit or loss of acquirees that have been included in the consolidated statement of comprehensive income for the reporting period.

In CZK million

	2020 Total
Revenue of the acquirees recognised since the acquisition date*	-
Profit (loss) of the acquirees recognised since the acquisition date*	-

* Before eliminating transactions between Group entities.

In CZK million

	2019 Total
Revenue of the acquirees recognised since the acquisition date*	553
Profit (loss) of the acquirees recognised since the acquisition date*	40

* Before eliminating transactions between Group entities.

The table below shows estimated revenue and profit or loss that would be presented in the consolidated statement of comprehensive income if the acquisition was made at the start of the current period (i.e. as of 1 January 2020 or 1 January 2019). This financial information was derived from the acquiree's statutory financial statements or financial statements prepared under IFRS.

In CZK million

	2020 Total
Revenue of acquirees recognised in the year ended 31 December 2020*	-
Profit/(loss) of acquirees recognised in the year ended 31 December 2020*	-

* Before eliminating transactions between Group entities.

In CZK million

	2019 Total
Revenue of acquirees recognised in the year ended 31 December 2019*	688
Profit/(loss) of acquirees recognised in the year ended 31 December 2019*	273

* Before eliminating transactions between Group entities.

C BUSINESS COMBINATIONS – RECOGNITION OF ACQUISITIONS FOR 2020 AND 2019

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured by the Company at their fair values at the acquisition date; in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company. Allocation of the total purchase price to individual net assets acquired for financial reporting purposes was performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information existing at the date of the business combination (which also involves certain estimates and approximations as regards business plan forecasts, useful lives of assets, and the weighted average of capital components cost). Any prospective information that may affect the future value of acquired assets is based on the management's expectations of the competitive and economic environments prevailing at the time.

The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

Purchase price allocation was performed for all business combinations within the scope of IFRS 3.

Fair value adjustments resulting from business combinations in 2020 and 2019 were not material. The Group's management decided not to account for these changes.

D DISPOSAL OF INVESTMENTS AND RETIREMENT OF DISCONTINUED ACTIVITIES

I. DISPOSAL OF INVESTMENTS IN 2020

On 15 June 2020, the Group disposed of its entire equity interest in STELMAR s.r.o. The effects of this transaction are shown in the following table.

In CZK million

	Net assets sold in 2020
Intangible fixed assets (goodwill)	3
Trade receivables and other assets	10
Inventory	4
Cash and cash equivalents	1
Trade payables and other liabilities	-9
Net identifiable assets and liabilities	**9**
Non-controlling interest	-
Total	**9**
Selling price	1
Gain/-loss on disposal	**-8**

In relation to the discontinuation of the liquidation process in respect of Elektrizácia železníc Kysak a.s., the entity was excluded from consolidation on 19 November 2019. The impact of this transaction is reported as a gain on line Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates in the Group's consolidated statement of comprehensive income.

II. DISPOSAL OF INVESTMENTS IN 2019

On 5 July 2019, the Group disposed of its entire equity interest in AVE Lviv TOB. The effects of this transaction are shown in the following table.

In CZK million

	Net assets sold in 2019
Tangible fixed assets	6
Trade receivables and other assets	19
Cash and cash equivalents	4
Loans and borrowings	-2
Trade payables and other liabilities	-29
Net identifiable assets and liabilities	**-2**
Non-controlling interest	-5
Total	**-7**
Selling price	-
Gain/-loss on disposal	**7**

In relation to the discontinuation of the liquidation process in respect of Elektrizácia železníc Kysak a.s., the entity was excluded from consolidation on 19 November 2019. The impact of this transaction is reported as a gain on line Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates in the Group's consolidated statement of comprehensive income.

6. Sales

In CZK million

	2020	2019
Sales: Technical-engineering activities and services	**9 116**	**9 883**
Sales: Industrial waste	**3 359**	**3 301**
Sales: Manufacturing and other		
Construction of railway lines and public transport lines	5 849	4 303
Manufacturing	3 154	3 187
Waste management	2 804	2 796
Total manufacturing and other	**11 807**	**10 286**
Total	**24 282**	**23 470**
In-country sales	19 385	18 909
Cross-border sales	4 897	4 561
Total	**24 282**	**23 470**

The transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2020 is as follows:

The total transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2020 is CZK 21 081 million (2019: CZK 23 074 million), of which technical-engineering activities and services account for CZK 6 035 million (2019: CZK 8 723 million), manufacturing and other activities for CZK 7 568 million (2019: CZK 7 610 million) and industrial waste for CZK 7 478 million (2019: CZK 6 741 million).

The Group's management anticipates that 49% (2019: 50%) of the transaction price allocated to unsatisfied performance obligations as of 31 December 2020 will be reported as income in the subsequent reporting period. The remaining 51% of this transaction price (2019: 50% as expected) will be reported in 2021 and subsequent years.

7. Cost of Sales

In CZK million

	2020	2019
Cost of sales: Technical-engineering activities and services		
External sub-supplies of services	3 499	3 778
Consumption of material	1 128	1 578
Goods used for manufacturing	66	25
Consumption of energy	42	41
Changes in WIP, semi-finished products and finished goods	1	-8
Total technical-engineering activities and services	**4 736**	**5 414**
Cost of sales: Industrial waste		
Disposal cost	1 855	1 669
Car fleet cost	324	363
Waste deposition fee	239	194
Recognition and release of statutory provisions for waste dumps	-49	9
Total industrial waste	**2 369**	**2 235**
Cost of sales: Manufacturing and other		
Consumption of material	4 454	4 517
Goods used for manufacturing	240	320
Consumption of energy	95	80
Changes in WIP, semi-finished products and finished goods	-223	-110
Other cost of sales	2 948	1 709
Total manufacturing and other	**7 514**	**6 516**
Total	**14 619**	**14 165**

Cost of sales presented in the above table does not contain directly attributable overheads (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, taxes and charges etc.).

Other costs of sales include minority sub-supplies, ordinary costs of services relating to production and other costs.

8. Personnel Expenses

In CZK million

	2020	2019
Wages and salaries	3 643	3 489
Compulsory social security contributions	1 189	1 143
Remuneration to board members[1]	70	61
Other social expenses	178	148
Total	**5 080**	**4 841**

(1) This item includes the remuneration of the members of the Board of Directors, including the members of the Boards of Directors of subsidiaries.

The average number of employees in 2020 was 7 377 (2019: 7 339), of which 248 were managers (2019: 253).

9. Other Operating Income

In CZK million

	2020	2019
Gain on the sale of material	172	146
Bonuses, discounts and grants	60	26
Contractual fines	38	148
Rental income	26	28
Compensation from insurance companies	19	23
Sales of tangible and intangible assets	18	21
Written-off payables	-	9
Other	88	66
Total	**421**	**467**

10. Other Operating Expenses

In CZK million

	2020	2019
Transport expenses	204	269
Rent expenses	191	204
Consulting expenses	170	197
Impairment losses/-reversal of impairment losses	110	143
Advertising expenses	88	93
Insurance expenses	79	79
Information technology costs	54	51
Security and cleaning services	54	43
Outsourcing and other administrative fees	53	24
Office equipment and other material	50	41
Gifts and sponsorship	36	54
Communication costs	20	19
Deficits and damage, compensation of damage	20	9
Educational courses, conferences	19	23
Loss on written-off receivables	17	12
Services related to technical and engineering activities	11	22
Contractual fines and penalties	9	28
Lease-related services	8	7
Administrative costs	5	14
Own work capitalised	-6	-27
Recognition and release of provisions	-44	110
Other	142	220
Total other operating expenses	**1 290**	**1 635**

No material research and development costs were reported in the statement of comprehensive income for the years ended 31 December 2020 and 2019.

FEES PAYABLE TO STATUTORY AUDITORS

In CZK million

	2020	2019
Statutory audit	8	9
Tax advisory and other assurance services	3	2
Total	**11**	**11**

The figures presented above include expenses recorded by all subsidiaries. The information includes all audit engagements – such as audits of input/output reporting packages, extraordinary statutory audits, mid-year reviews and other services.

11. Finance Income and Expense, Profit /-Loss from Financial Instruments

In CZK million

	2020	2019
Interest income	43	36
Net foreign exchange gain	-	41
Other finance income	6	35
Finance income	**49**	**112**
Interest expense	-388	-489
Net foreign exchange loss	-57	-
Fees and commissions expense for payment transactions	-33	-36
Fees and commissions expense for transactions with financial instruments	-9	-4
Other finance expense	-112	-30
Finance expense	**-599**	**-559**
Profit /-loss from interest rate derivatives held for trading	-221	90
Profit /-loss from currency derivatives for trading	1	-
Reversal of impairment loss /-impairment loss through profit or loss	-	-9
Profit /-loss from financial instruments	**-220**	**81**
Net finance income /-expense	**-770**	**-366**

12. Tax Expenses

INCOME TAXES RECOGNISED THROUGH THE STATEMENT OF COMPREHENSIVE INCOME

In CZK million

	2020	2019
Current taxes:		
Current year	-516	-504
Adjustment for prior periods	-3	1
Total current taxes	**-519**	**-503**
Deferred taxes:		
Origination and reversal of temporary differences	63	72
Total deferred taxes	**63**	**72**
Total income taxes	**-456**	**-431**

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is recovered or the liability settled. According to Czech legislation the corporate income tax rate is 19% for the 2020 and 2019 fiscal years. The Slovak corporate income tax rate is 21% for the 2020 and 2019 fiscal years. The corporate income tax rate stipulated by Ukrainian legislation for the 2020 and 2019 fiscal years is 18%. The income tax in the current year also includes a special sector tax applicable in Slovakia.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In CZK million

	2020		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	10	-	10
Total	**10**	**-**	**10**

In CZK million

	2019		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	-26	-	-26
Fair value reserve included in other comprehensive income	1	-	1
Total	**-25**	**-**	**-25**

The foreign currency translation differences for foreign operations related to non-controlling interests are presented under non-controlling interests.

RECONCILIATION OF THE EFFECTIVE TAX RATE

In CZK million

	%	2020	%	2019
Profit before tax		1 700		1 599
Income tax using the Company's domestic rate (19%)	19 %	323	19 %	304
Effect of tax rates in foreign jurisdictions	-0,23 %	-4	0,31 %	5
Non-deductible expenses	13,00 %	221	13,51 %	216
Non-taxable income	-4,82 %	-82	-4,81 %	-77
Recognition of previously unrecognised tax losses	-0,18 %	-3	-0,50 %	-8
Effects of special tax on regulated services	-	-	-0,63 %	-10
Current year's losses for which no deferred tax asset was recognised	0,05 %	1	0,25 %	4
Tax incentives, tax credit	-0,18 %	-3	-0,12 %	-2
Withholding tax, income tax adjustments for prior periods	0,18 %	3	-0,06 %	-1
Income tax recognised in other comprehensive income	**26,82 %**	**456**	**26,95 %**	**431**

Non-deductible expenses and non-taxable income primarily include tax non-deductible loan interest and additional consolidation accounting.

13. Property, Plant and Equipment

In CZK million

	Land and buildings[1]	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2020	**3 296**	**4 282**	**331**	**89**	**7 998**
Additions	101	594	52	74	**821**
Disposals	-244	-268	-1	-93	**-606**
Disposed entities	-	-1	-	-	**-1**
Transfers	30	-	-	-30	**-**
Effects of changes in foreign exchange rates	25	11	-	-	**36**
Balance at 31 December 2020	**3 208**	**4 618**	**382**	**40**	**8 248**
Depreciation and impairment losses					
Balance at 1 January 2020	**-752**	**-2 159**	**-193**	**-**	**-3 104**
Depreciation charge for the year	-187	-629	-47	-	**-863**
Disposals	89	268	-	-	**357**
Disposed entities	-	1	-	-	**1**
Reversal of impairment loss/-impairment losses through profit or loss	-15	-68	-1	-	**-84**
Effects of changes in foreign exchange rates	-4	-	-	-	**-4**
Balance at 31 December 2020	**-869**	**-2 587**	**-241**	**-**	**-3 697**
Carrying amounts					
At 1 January 2020	**2 544**	**2 123**	**138**	**89**	**4 894**
At 31 December 2020	**2 339**	**2 031**	**141**	**40**	**4 551**

(1) Including right-of-use assets.

In CZK million

	Land and buildings[1]	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2019	**2 595**	**3 232**	**311**	**52**	**6 190**
Adjustment due to accounting policy change (IFRS 16)	278	597	-	-	**875**
Balance at 1 January 2019 – restated	**2 873**	**3 829**	**311**	**52**	**7 065**
Additions	408	542	48	109	**1 107**
Additions through business combinations	63	22	-	3	**88**
Disposals	-45	-111	-29	-47	**-232**
Disposals resulting from sales of companies	-3	-18	-1	-	**-22**
Transfers	8	18	2	-28	**-**
Effects of changes in foreign exchange rates	-8	-	-	-	**-8**
Balance at 31 December 2019	**3 296**	**4 282**	**331**	**89**	**7 998**
Depreciation and impairment losses					
Balance at 1 January 2019	**-536**	**-1 607**	**-173**	**-**	**-2 316**
Depreciation charge for the year	-223	-653	-47	-	**-923**
Disposals	-	87	26	-	**113**
Disposals resulting from sales of companies	1	14	1	-	**16**
Reversal of impairment loss through profit or loss	5	-	-	-	**5**
Effects of changes in foreign exchange rates	1	-	-	-	**1**
Balance at 31 December 2019	**-752**	**-2 159**	**-193**	**-**	**-3 104**
Carrying amounts					
At 1 January 2019	**2 059**	**1 625**	**138**	**52**	**3 874**
At 31 December 2019	**2 544**	**2 123**	**138**	**89**	**4 894**

(1) Including right-of-use assets.

Impairment losses and reversal of impairment losses are reported in other operating expenses.

IDLE ASSETS

As of 31 December 2020 and 31 December 2019, the Group had no material idle assets.

PLEDGES

As of 31 December 2019, property, plant and equipment of CZK 1 079 million (2019: CZK 943 million) are subject to pledges to secure bank loans.

14. Intangible Assets (Including Goodwill)

In CZK million

	Goodwill	Software	Customer relationship and other contracts	Other intangible assets	Total
Cost					
Balance at 1 January 2020	**4 853**	**137**	**666**	**580**	**6 236**
Additions	-	10	-	6	**16**
Disposals	-	-6	-	-5	**-11**
Disposals resulting from sales	-3	-	-	-	**-3**
Effects of changes in foreign exchange rates	17	-	-	-	**17**
Balance at 31 December 2020	**4 867**	**141**	**666**	**581**	**6 255**
Amortisation and impairment losses					
Balance at 1 January 2020	**-323**	**-89**	**-602**	**-476**	**-1 490**
Amortisation for the year	-	-19	-64	-6	**-89**
Disposals	-	4	-	-	**4**
Effects of changes in foreign exchange rates	-12	-	-	-	**-12**
Balance at 31 December 2020	**-335**	**-104**	**-666**	**-482**	**-1 587**
Carrying amounts					
At 1 January 2020	**4 530**	**48**	**64**	**104**	**4 746**
At 31 December 2020	**4 532**	**37**	**-**	**99**	**4 668**

In CZK million

	Goodwill	Software	Customer relationship and other contracts	Other intangible assets	Total
Cost					
Balance at 1 January 2019	**4 725**	**111**	**666**	**600**	**6 102**
Additions	-	25	-	7	**32**
Additions through business combinations	135	-	-	-	**135**
Disposals	-	-12	-	-14	**-26**
Transfers	-	13	-	-13	**-**
Effects of changes in foreign exchange rates	-7	-	-	-	**-7**
Balance at 31 December 2019	**4 853**	**137**	**666**	**580**	**6 236**
Amortisation and impairment losses					
Balance at 1 January 2019	**-328**	**-82**	**-525**	**-471**	**-1 406**
Amortisation for the year	-	-19	-77	-6	**-102**
Disposals	-	12	-	1	**13**
Effects of changes in foreign exchange rates	5	**-**	**-**	**-**	**5**
Balance at 31 December 2019	**-323**	**-89**	**-602**	**-476**	**-1 490**
Carrying amounts					
At 1 January 2019	**4 397**	**29**	**141**	**129**	**4 696**
At 31 December 2019	**4 530**	**48**	**64**	**104**	**4 746**

Amortisation of intangible assets is included in the line 'Depreciation and amortisation' in the consolidated statement of comprehensive income.

Customer relationships represent assets securing long-term income from customers.

Other intangible assets include valuable rights, assets arising from the existence of contracts and the trademark or company name (a majority of items were identified during the process of allocating the purchase price as part of the earlier acquisition by the EPH Group). All intangible assets, excluding selected trademarks, were recognised as assets with definite useful lives. Given the nature of the given asset (asset item) and its role in future business opportunities along with its economic contribution, a trademark with a definite useful life of CZK 52 million was identified in respect of SOR Libchavy spol. s r.o. Furthermore, the Group identified a trademark in respect of Andelta a.s., which is duly registered with the Industrial Property Office. This trademark was measured at CZK 32 million for accounting purposes. The Company's management believes that the trademark will also generate net cash flows after its useful life has expired under Czech law, for which reason the trademark has an indefinite useful life. As of 31 December 2020, trademarks were tested for impairment.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The following aggregated carrying amounts are allocated to individual cash-generating units:

In CZK million

	31 December 2020	31 December 2019
PIRAMEL ENTERPRISES LIMITED Skupina[1]	2 010	2 010
PI1 Skupina[2]	1 104	1 104
EGEM s.r.o.	409	409
MSEM, a.s.	184	184
SOR Libchavy spol. s r.o.	177	177
Energetické opravny a.s.	141	141
VČE – montáže, a.s.	102	102
ELTRA, s.r.o.	98	95
SEG s.r.o.	91	91
PROFI EMG s.r.o.	83	83
ELQA, s.r.o.	74	74
EZ-ELEKTROSYSTÉMY Košice s.r.o.	39	37
PEZ – projekce energetických zařízení s.r.o.	11	11
T.O.O., spol. s r.o.	9	9
STELMAR s.r.o	-	3
Total	**4 532**	**4 530**

(1) For a summary of entities included in the PIRAMEL ENTERPRISES LIMITED subgroup, to which a portion of the above presented goodwill is attributable, refer to Note 33 – Group Entities.
(2) For a summary of entities included in the PI1 subgroup, to which a portion of the above presented goodwill is attributable, refer to Note 33 – Group Entities.

There were no major acquisitions in 2020 and as a result the balance of goodwill did not change due to acquisitions (2019: increase of CZK 135 million as a result of the acquisition of EZ-ELEKTROSYSTÉMY Košice s.r.o., ELQA, s.r.o., Elektrovod a.s., PEZ – projekce energetických zařízení s.r.o., T.O.O., spol. s r.o. and ALCEDO IS, s.r.o.). In 2020, the Group reported no impairment of goodwill (2019: CZK 0 million).

The resulting change in the balance of goodwill of CZK 2 million was attributable to the decrease of CZK 3 million as a result of the sale of STELMAR s.r.o. and the effect of changes in foreign exchange rates.

GOODWILL AND IMPAIRMENT TESTING

Goodwill transferred from Energetický a průmyslový holding, a.s. was reported in the amount disclosed in the consolidated notes to the financial statements of Energetický a průmyslový holding, a.s. As of 30 September 2011, no new goodwill originated, the reason being that the formation of the EPI Group was analogically recognised through business combinations under joint control (refer to Note 1 – General Information).

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill arising on business combinations during the current year and impairment testing of goodwill reported in prior years. The Group also conducts impairment testing of other intangible assets with indefinite useful lives and cash-generating units (CGU), where grounds for it were identified. As of the acquisition date goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates, on the basis of value in use that reflects estimated future discounted cash flows. The value in use is derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

At the year-end, the Group conducted impairment testing in respect of all material amounts of goodwill.

The calculation of the recoverable amounts was based on the following key assumptions:

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by an additional five years of modelled projections. Cash flows for a terminal period were extrapolated using a constant growth rate of 2%, which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of investment activity, changes in working capital and changes in the regulatory framework.

No need for goodwill impairment was identified during the testing for the current year (2019: CZK 0 million).

The recoverable amount of cash-generating units was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of cash-generating units. Value in use in 2020 was determined on a similar basis as in 2019. The discount rate represented an indicator after taxation based on a risk-free rate adjusted for risk premium reflecting both the increased risk of investments in equity securities in general as well as the systemic risk of cash-generating units. The budgeted amount of the EBITDA indicator (which represents operating profit plus depreciation of property, plant and equipment, and amortisation of intangible assets) was based on the expected future development and past experience. The Company primarily reflected the following:

- Market development and the competitive environment;
- Legislative environment;
- Expectations regarding market margins; and
- An in-depth analysis of production overheads.

Key assumptions used in the calculation of value in use were the discount rate and the terminal value growth rate. These selected assumptions were as follows:

	Discount rate		Terminal value growth rate	
	2020	2019	2020	2019
PIRAMEL ENTERPRISES LIMITED[1]	8,19 %	8,90 %	2 %	2 %
EGEM s.r.o.	6,39 %	8,12 %	2 %	2 %
MSEM, a.s.	6,39 %	8,12 %	2 %	2 %
VČE – montáže, a.s.	6,39 %	8,12 %	2 %	2 %
SEG s.r.o.	6,39 %	8,12 %	2 %	2 %
PROFI EMG s.r.o.	6,39 %	8,12 %	2 %	2 %
PI1 a.s. a její dceřiné společnosti	6,06 %	7,68 %	2 %	2 %
Energetické opravny a.s.	5,57 %	7,22 %	2 %	2 %
SOR Libchavy spol. s. r.o.	5,40 %	7,29 %	2 %	2 %
ELTRA, s.r.o.	5,35 %	6,60 %	2 %	2 %
ELQA, s.r.o.	6,39 %	8,12 %	2 %	2 %
EZ-ELEKTROSYSTÉMY Košice s.r.o.	5,35 %	6,60 %	2 %	2 %
PEZ – projekce energetických zařízení s.r.o.	6,39 %	8,12 %	2 %	2 %
T.O.O., spol. s r.o.	6,39 %	8,12 %	2 %	2 %

(1) The above-stated discount rate relates to the Czech Republic, which represents the most significant region in which the Company operates. Discount rates of other regions: Slovakia – 6,84%, Ukraine – 26,29%.

15. Equity Accounted Investees

The Group holds the following investment in associates and joint ventures:

In CZK million

Associates and joint ventures	Country	Equity investment 31 December 2020 %	Carrying amount 31 December 2020
Winning Automotive Group[1]	[2]	50	70
Total		**-**	**70**

(1) For summary of entities included in the Winning Automotive subgroup refer to Note 33 – Group Entities.

(2) The group entities are based in various countries; for more details refer to Note 33 – Group Entities.

The Group has the following shares in the profit or loss of associates and joint ventures:

In CZK million

Associates and joint ventures	Country	Equity investment 31 December 2020	Share in profit/ -loss for 2020
		%	
Winning Automotive Group[1]	[2]	50	16
Total		**-**	**16**

(1) For summary of entities included in the Winning Automotive subgroup refer to Note 33 – Group Entities.

(2) The group entities are based in various countries; for more details refer to Note 33 – Group Entities.

Summary financial information for standalone associates, presented at 100 % as at 31 December 2020 and for the year then ended.

In CZK million

Associates and joint ventures	Income	Profit/ -loss	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Winning Automotive Group[1]	516	-7	-	-7	2 146	1 900	246
Total	**516**	**-7**	**-**	**-7**	**2 146**	**1 900**	**246**

(1) Financial information derived from financial statements prepared in accordance with local GAAP.

In CZK million

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Winning Automotive Group[1]	922	1 224	1 301	599
Total	**922**	**1 224**	**1 301**	**599**

(1) Financial information derived from financial statements prepared in accordance with local GAAP.

16. Deferred Tax Assets and Liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

The following deferred tax assets and (liabilities) have been recognised:

In CZK million

	31 December 2020			31 December 2019		
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	47	-176	-129	67	-203	-136
Intangible assets	-	-14	-14	-	-25	-25
Assets held for sale	7	-	7	7	-	7
Inventories	17	-16	1	14	-8	6
Trade receivables and other assets	42	-	42	33	-	33
Provisions	100	-	100	95	-	95
Employee benefits	10	-	10	11	-	11
Outstanding interest (net)	-	-	-	-	-1	-1
Tax losses	-	-	-	1	-	1
Other items	91	-52	39	61	-57	4
Subtotal	**314**	**-258**	**56**	**289**	**-294**	**-5**
Set-off tax	-185	185	-	-175	175	-
Total	**129**	**-73**	**56**	**114**	**-119**	**-5**

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR

In CZK million

Temporary difference related to:	Balance at 1 January 2020	Recognised in profit or loss	Effects of changes in foreign exchange rates	Balance at 31 December 2020
Property, plant and equipment	-136	11	-4	-129
Intangible assets	-25	10	1	-14
Assets held for sale	7	-	-	7
Inventories	6	-5	-	1
Trade receivables and other assets	33	9	-	42
Provisions	95	5	-	100
Employee benefits	11	-1	-	10
Outstanding interest (net)	-1	1	-	-
Tax losses	1	-1	-	-
Other items	4	34	1	39
Total	**-5**	**63**	**-2**	**56**

In CZK million

Temporary difference related to:	Balance at 1 January 2019	Recognised in profit or loss	Effect of change in accounting policy	Balance at 31 December 2019
Property, plant and equipment	-190	45	9	-136
Intangible assets	-37	12	-	-25
Assets held for sale	7	-	-	7
Inventories	11	-5	-	6
Trade receivables and other assets	32	1	-	33
Provisions	63	32	-	95
Employee benefits	13	-2	-	11
Outstanding interest (net)	-2	1	-	-1
Tax losses	1	-	-	1
Other items	16	-12	-	4
Total	**-86**	**72**	**9**	**-5**

UNRECOGNISED DEFERRED TAX ASSETS

A deferred tax asset has not been recognised in respect of the following items:

In CZK million

	31 December 2020	31 December 2019
Tax losses carried forward	48	123
Receivables and other assets	90	118
Total	**138**	**241**

The total amount of tax losses carried forward is CZK 48 million (2019: CZK 123 million). Given the nature of the Company's income and expense, no significant taxable profit is expected; therefore, no deferred tax asset was reported. If sufficient taxable profit was generated in 2020, the relevant taxable income (savings) would amount to as much as CZK 9 million (2019: CZK 25 million.)

Tax losses generally expire over a period of five years in the Czech Republic and four years in Slovakia. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

	2021	2022	2023	2024	2025 and later	Total
Tax losses	23	4	-	-	21	48

17. Inventories

In CZK million

	31 December 2020	31 December 2019
Raw material and supplies	822	843
Work in progress	470	406
Finished goods and merchandise	451	149
Total	**1 743**	**1 398**

As of 31 December 2020, inventories were written off through the statement of comprehensive income in the amount of CZK 5 million (2019: CZK 7 million).

PLEDGES

As of 31 December 2020, inventories in the amount of CZK 106 million (2019: CZK 656 million) were subject to pledges.

18. Trade Receivables and Other Assets

In CZK million

	31 December 2020	31 December 2019
Trade receivables	4 860	5 130
Receivables from the performance of ongoing contracts	1 282	1 305
Retention fees	556	488
Advance payments	213	298
Tax receivables	142	215
Estimated receivables	58	40
Accrued income	22	20
Other receivables and assets	101	164
Allowance for bad debts	-244	-231
Total	**6 990**	**7 429**
Non-current	439	441
Current	6 551	6 988
Total	**6 990**	**7 429**

Impairment losses and reversal of impairment losses are reported under other operating expenses.

As of 31 December 2020, trade receivables with a carrying value of CZK 1 003 million (2019: CZK 1 200 million) are subject to pledges.

As of 31 December 2020, trade receivables and other assets of CZK 6 690 million (2019: CZK 7 136 million) are not past due; the remaining balance of CZK 300 million is overdue (2019: CZK 293 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables, except for ongoing contractor's work, is disclosed in Note 31 – Risk Management Policies and Disclosures.

INCOME FROM CONSTRUCTION CONTRACTS RECOGNISED ON AN ONGOING BASIS

In CZK million

	31 December 2020	31 December 2019
Income recognised for the period	16 842	11 284
Expenses incurred in the period	-13 551	-8 948
Profit/-loss from construction contracts for the period	**3 291**	**2 336**
Receivables from the performance of ongoing contracts	1 282	1 305

As of 31 December 2020, trade receivables included retention fees relating to contracts with customers in the amount of CZK 556 million (2019: CZK 488 million).

19. Cash and Cash Equivalents

In CZK million

	31 December 2020	31 December 2019
Current accounts and deposits with banks	1 825	1 941
Cash and cash equivalents	10	9
Total	**1 835**	**1 950**

Term deposits with original maturity of up to three months and stamps and vouchers are classified as cash equivalents.

As of 31 December 2020, cash equivalents of CZK 904 million (2019: CZK 417 million) are subject to pledges (these balances do not include restricted cash). According to the loan documentation, cash balances at specific entities are pledged in favour of the financial institution in the event of the Group's default upon the payment of loans. As such, the pledged cash is readily available to the Group and does not represent restricted cash.

20. Restricted Cash

In CZK million

	31 December 2020	31 December 2019
Non-current restricted cash	273	286
Current restricted cash	1	9
Total	**274**	**295**

As of 31 December 2020, the balance of restricted cash is represented by an escrow account to cover the recultivation provision in AVE CZ odpadové hospodářství s.r.o. of CZK 272 million (2019: CZK 285 million), AVE SK odpadové hospodárstvo s.r.o. of CZK 1 million (2019: CZK 1 million), and SES BOHEMIA ENGINEERING, a.s. of CZK 1 million (2019: CZK 1 million).

As of 31 December 2019, restricted cash also included CZK 8 million representing an escrow account to cover the recultivation provision of ZDIBE spol. s r.o. As of 1 July 2020, this entity merged with AVE CZ odpadové hospodářství s.r.o. AVE CZ odpadové hospodářství s.r.o. is the successor company and the restricted cash of ZDIBE spol. s r.o. is now included in the restricted cash of this company.

21. Equity

SHARE CAPITAL

The authorised, issued and fully paid share capital as of 31 December 2020 consisted of 1 035 816 ordinary shares with a par value of CZK 1 000 each (2019: 1 035 816 shares with a par value of CZK 1 000 each).

The shareholders are entitled to receive dividends and to 1 000 votes per CZK 1 000 share at meetings of the Company's shareholders.

In 2020, the Company declared dividends of CZK 864 million (2019: CZK 238 million). Of these declared dividends, CZK 164 million was offset against an additional equity contribution (2019: CZK 30 million offset against a loan); the remaining portion of CZK 700 million was paid in cash (2019: CZK 208 million).

The shareholder structure as of 31 December 2020 and 2019 was as follows:

31 December 2020	Number of shares CZK 1 000	Ownership %	Voting rights %
EP INDUSTRIES HOLDING LIMITED	1 035 816	100,00	100,00
Total shares in circulation	**1 035 816**	**100,00**	**100,00**

31 December 2019	Number of shares CZK 1 000	Ownership %	Voting rights %
EP INDUSTRIES HOLDING LIMITED	1 035 816	100,00	100,00
Total shares in circulation	**1 035 816**	**100,00**	**100,00**

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is provided as follows:

	Number of shares 31 December 2020 CZK 1 000	Number of shares 31 December 2019 CZK 1 000
Shares outstanding at the beginning of the year	1 035 816	1 035 816
Shares outstanding at the end of the year	**1 035 816**	**1 035 816**

SHARE PREMIUM

In 2016, the sole shareholder provided a monetary contribution outside the share capital of CZK 1 589 million. A portion of this contribution of CZK 744 million was declared to be paid back to the shareholder in 2019 and subsequently paid out in 2019.

CAPITAL AND OTHER RESERVES

Reserves reported through equity include the following items:

In CZK million

	31 December 2020	31 December 2019
Non-distributable reserves and other funds created from profit	360	100
Revaluation reserve	1	1
Translation reserve	-71	-79
Other capital reserves	-1 945	-1 945
Total	**-1 655**	**-1 923**

NON-DISTRIBUTABLE RESERVES AND OTHER FUNDS CREATED FROM PROFIT

Based on the newly valid and effective Czech legislation, it has no longer been compulsory to establish a statutory reserve since 1 January 2014. Since 1 January 2014 it has been possible to release and pay out the statutory reserve, provided certain conditions are met. The item also includes distributable additional equity contributions.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group.

OTHER CAPITAL RESERVES

In 2011, the Group accounted for pricing differences that arose from the establishment of the EPI Group as of 30 September 2011. The establishment of the EPI Group was accounted for similarly as the acquisition of subsidiaries under joint control, and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Subsidiaries were recorded at the carrying amount, which is presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment).
The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward at the acquisition date was recorded in consolidated equity as pricing differences under 'Other capital reserves'.

22. Non-controlling Interest

31 DECEMBER 2020

In CZK million

	Power engineering subgroup[2][4]	Industrial waste subgroup[3][4]	Other[4]	Total
Non-controlling percentage	**12 %**	[4]-	[4]-	**-**
Carrying amount of NCI	**-1**	**149**	**-4**	**144**
Profit attributable to non-controlling interests	**33**	**187**	**-38**	**182**
Dividends for entities holding equity investments	**-27**	**-254**	**-**	**-281**
Statement of financial position[1]				
Total assets	8 670	9 750	1 016	**19 436**
of which: non-current	*5 183*	*5 544*	*552*	***11 279***
current	*3 487*	*4 206*	*464*	***8 157***
Závazky celkem	3 899	6 336	1 271	**11 506**
of which: non-current	*1 944*	*3 926*	*780*	***6 650***
current	*1 955*	*2 410*	*491*	***4 856***
Net assets	**4 771**	**3 414**	**-255**	**7 930**
Statement of comprehensive income[1]				
Total revenues	5 424	6 519	668	**12 611**
Profit/-loss after tax	838	2 766	-366	**3 238**
Other comprehensive income for the year, net of income tax	-	-	2	**2**
Comprehensive income for the year	**838**	**2 766**	**-364**	**3 240**
Net cash inflows/-outflows	**144**	**118**	**-69**	**193**

(1) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.
(2) The Power engineering subgroup includes entities owned by TAHOBA INVESTMENTS LIMITED and HERINGTON INVESTMENTS LIMITED.
(3) The Industrial waste subgroup includes entities owned by PIRAMEL ENTERPRISES LIMITED.
(4) Entities included in individual subgroups, ownership percentages and countries in which they are registered are disclosed in Note 33 – Group Entities.

31 DECEMBER 2019

In CZK million

	Power engineering subgroup[2][4]	Industrial waste subgroup[3][4]	Other[4]	Total
Non-controlling percentage	**12 %**	[4]-	[4]-	**-**
Carrying amount of NCI	**-8**	**714**	**33**	**739**
Profit attributable to non-controlling interests	**53**	**181**	**-24**	**210**
Dividends for entities holding equity investments	**-80**	**-162**	**-**	**-242**
Statement of financial position[1]				
Total assets	9 543	12 415	1 537	**23 495**
of which: non-current	*5 724*	*5 835*	*823*	***12 382***
current	*3 819*	*6 580*	*714*	***11 113***
Total liabilities	4 877	7 736	1 352	**13 965**
of which: non-current	*689*	*4 211*	*117*	***5 017***
current	*4 188*	*3 525*	*1 235*	***8 948***
Net assets	**4 666**	**4 679**	**185**	**9 530**
Statement of comprehensive income[1]				
Total revenues	5 209	6 406	1 104	**12 719**
Profit/-loss after tax	1 587	1 377	-246	**2 718**
Other comprehensive income for the year, net of income tax	-	-	-4	**-4**
Comprehensive income for the year	**1 587**	**1 377**	**-250**	**2 714**
Net cash inflows/-outflows	**17**	**57**	**3**	**77**

(1) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.
(2) The Power engineering subgroup includes entities owned by TAHOBA INVESTMENTS LIMITED and HERINGTON INVESTMENTS LIMITED.
(3) The Industrial waste subgroup includes entities owned by PIRAMEL ENTERPRISES LIMITED.
(4) Entities included in individual subgroups, ownership percentages and countries in which they are registered are disclosed in Note 33 – Group Entities.

23. Loans and Borrowings

In CZK million

	31 December 2020	31 December 2019
Loans payable to credit institutions	7 954	7 456
Liabilities from leases	836	836
Bank overdraft	386	675
Loans payable to other than credit institutions	114	129
Total	**9 290**	**9 096**
Non-current	7 811	5 315
Current	1 479	3 781
Total	**9 290**	**9 096**

The weighted average interest rate on loans for 2020 was 2,39% (2019: 3,90%).

TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans as of 31 December 2020 were as follows:

In CZK million

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31 December 2020	Due within 1 year	Due in 1–5 years	Due in following years
Secured bank loan	CZK	variable*	2026	6 393	736	4 007	1 650
Secured bank loan	EUR	fixed	2025	1 190	13	1 177	-
Secured bank loan	EUR	variable*	2024	370	51	319	-
Secured bank loan	CZK	fixed	2021	1	1	-	-
Secured bank loan	CZK	fixed	2022	2	1	1	-
Unsecured bank loan	EUR	fixed	2022	109	-	109	-
Unsecured bank loan	CZK	fixed	2022	3	-	3	-
Overdraft	CZK	variable*	2021	386	386	-	-
Lease liabilities	-	-	2026	836	291	513	32
Total				**9 290**	**1 479**	**6 129**	**1 682**

* Variable interest rate is derived as PRIBOR or EURIBOR plus a margin. All interest rates are market based.

Terms and conditions of outstanding loans as of 31 December 2019 were as follows:

In CZK million

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31 December 2019	Due within 1 year	Due in 1–5 years	Due in following years
Secured bank loan	CZK	variable*	2026	6 526	2 298	2 441	1 787
Secured bank loan	EUR	variable *	2024	620	262	358	
Secured bank loan	EUR	fixed	2024	310	127	183	-
Unsecured bank loan	EUR	fixed	2020	108	108	-	-
Unsecured bank loan	CZK	fixed	2020	21	21	-	-
Overdraft	CZK	variable *	2020	675	675	-	-
Lease liabilities	-	-	2025	836	290	504	42
Total				**9 096**	**3 781**	**3 486**	**1 829**

* Variable interest rate is derived as PRIBOR or EURIBOR plus a margin. All interest rates are market based.

Loans and borrowings are being repaid consistently with the contractual terms and conditions.

24. Provisions

In CZK million

	Employee benefits	Warranty provision	Onerous contracts	Legal disputes	Restoration and decom-missioning	Other	Total
Balance at 1 January 2020	**27**	**198**	**39**	**7**	**759**	**148**	**1 178**
Provisions made during the year	11	99	3	1	23	87	**224**
Provisions used during the year	-	-	-	-	-57	-4	**-61**
Provisions reversed during the year	-14	-85	-30	-7	-167	-147	**-450**
Unwind of discount	-	-	-	-	19	-	**19**
Effects of changes in foreign exchange rates	1	-	-	-	1	1	**3**
Balance at 31 December 2020	**25**	**212**	**12**	**1**	**578**	**85**	**913**
Non-current	17	137	9	1	542	23	**729**
Current	8	75	3	-	36	62	**184**
Total	**25**	**212**	**12**	**1**	**578**	**85**	**913**

In CZK million

	Employee benefits	Warranty provision	Onerous contracts	Legal disputes	Restoration and decom-missioning	Other	Total
Balance at 1 January 2019	**30**	**194**	**-**	**9**	**422**	**109**	**764**
Provisions made during the year	3	96	39	-	315	74	**527**
Provisions used during the year	-4	-	-	-	-	-3	**-7**
Provisions reversed during the year	-2	-92	-	-2	-17	-24	**-137**
Acquisitions through business combinations	-	-	-	-	-	1	**1**
Unwind of discount	-	-	-	-	30	-	**30**
Transfer	-	-	-	-	9	-9	**-**
Balance at 31 December 2019	**27**	**198**	**39**	**7**	**759**	**148**	**1 178**
Non-current	27	123	26	-	675	121	**972**
Current	-	75	13	7	84	27	**206**
Total	**27**	**198**	**39**	**7**	**759**	**148**	**1 178**

Recognition of provisions requires frequent use of estimates, for example an estimate of the likelihood of uncertain facts occurring or the calculation of anticipated profit or loss. These estimates are based on experience to date, statistical models and expert judgement.

PROVISION FOR WARRANTY REPAIRS

Major provisions include a provision of CZK 166 million (2019: CZK 140 million) for future costs of warranty repairs relating to sold buses reported by SOR Libchavy spol. s r.o. Other major provisions include a provision for warranty repairs and complaints relating to completed engagements of CZK 24 million (2019: CZK 25 million) reported by EGEM s.r.o.

Provisions for warranty repairs of buses are calculated for individual projects based on the number of months during which the warranty is provided and estimated costs per one month of warranty, which are determined based on past experience. If estimated costs per one month of warranty increase by 10%, the provision increases by CZK 9 million (2019: CZK 7 million).

The provision for warranty repairs of EGEM s.r.o. reflects the relevant contract for work and its amount is calculated based on the income and the warranty period stated in this contract. If the income from orders increased by 10%, the provision would increase by CZK 2 million (2019: CZK 4 million).

PROVISION FOR THE RESTORATION AND REHABILITATION OF LANDFILLS

A provision of CZK 578 million (2019: CZK 759 million) is reported by the AVE subgroup (for more details refer to Note 3(k) – Provisions). The decrease in the provision is due primarily to new legislation, digitization of landfill capacity measurement and extension of the landfilling period.

PROVISIONS FOR FINANCIAL COMMITMENTS AND GUARANTEES

The Group carried out an analysis of expected credit losses in respect of the commitments made and guarantees provided and decided not to report them due to immateriality.

25. Financial Instruments

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In CZK million

	31 December 2020	31 December 2019
Assets carried at amortised cost		
Loans to other than credit institutions	517	957
Allowance for loans to other than credit institutions	-	-13
Total	**517**	**944**
Assets carried at fair value		
Hedging: *of which:*	-	7
Fair value hedge, commodity derivatives	-	*7*
Risk management: *of which:*	1	64
Currency derivatives for trading	*1*	-
Interest rate swaps for trading	-	*64*
Capital instruments at fair value through other comprehensive income: *of which:*	**11**	**12**
Shares and interim certificates carried at fair value through other comprehensive income	*11*	*12*
Total	**12**	**83**
Non-current	67	90
Current	462	937
Total	**529**	**1 027**

In 2020, the weighted interest rate average in respect of loans open as of the balance sheet date for other than credit institutions was 3,95% (2019: 3,53%).

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In CZK million

	31 December 2020	31 December 2019
Liabilities carried at amortised cost		
Bills of exchange issued at amortised cost	1 188	1 838
Other financial liabilities	5	4
Total	**1 193**	**1 842**
Liabilities carried at fair value		
Hedging: *of which:*	16	-
Fair value hedge, commodity derivatives	*16*	-
Risk management: *of which:*	**89**	**-**
Interest rate swaps for trading	*89*	-
Total	**105**	**-**
Non-current	518	670
Current	780	1 172
Total	**1 298**	**1 842**

Fair values and relevant nominal values of derivatives are disclosed in the following table:

In CZK million

	31 December 2020			
	Nominal amount – purchase	Nominal amount – sale	Positive fair value	Negative fair value
Risk management: *of which:*	4 205	-4 205	1	89
Interest rate swaps for trading	*4 194*	*-4 194*	-	*89*
Currency derivatives for trading	*11*	*-11*	*1*	-
Hedging: *of which:*	169	-169	-	16
Fair value hedge, commodity derivatives	*169*	*-169*	-	*16*
Total	**4 374**	**-4 374**	**1**	**105**

V milionech Kč

	31 December 2019			
	Nominal amount – purchase	Nominal amount – sale	Positive fair value	Negative fair value
Risk management: *of which:*	4 702	-4 702	64	-
Interest rate swaps for trading	*4 702*	*-4 702*	*64*	-
Hedging: *of which:*	169	-169	7	-
Fair value hedge, commodity derivatives	*169*	*-169*	*7*	-
Total	**4 871**	**-4 871**	**71**	**-**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 31 – Risk Management Policies and Disclosures.

Sensitivity analysis relating to the fair values of financial instruments is included in Note 31 – Risk Management Policies and Disclosures.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

In general, financial instruments carried at fair value are measured based on quoted market prices at the reporting date. If the market for a financial instrument is not active, fair value is established using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information that market participants would use in setting a price for the financial instrument.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In millions of CZK

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Risk management purpose: *of which:*	-	1	-	**1**
Interest rate swaps for trading	-	*1*	-	***1***
Capital instruments at fair value through other comprehensive income: *of which:*	-	-	11	**11**
Shares and interim certificates carried at fair value through other comprehensive income	-	-	*11*	***11***
Total	**-**	**1**	**11**	**12**
Liabilities carried at fair value				
Risk management purpose: *of which:*	**-**	**89**	**-**	**89**
Interest rate swaps for trading	-	*89*	-	***89***
Hedging: *of which:*	**-**	**16**	**-**	**16**
Fair value hedge, commodity derivatives	-	*16*	-	***16***
Total	**-**	**105**	**-**	**105**

In millions of CZK

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value				
Risk management: *of which:*	-	64	-	**64**
Interest rate swaps for trading	-	*64*	-	***64***
Hedging: *of which:*	-	7	-	**7**
Fair value hedge, commodity derivatives	-	*7*	-	***7***
Capital instruments at fair value through other comprehensive income: *of which:*	-	-	12	**12**
Shares and interim certificates carried at fair value through other comprehensive income	-	-	*12*	***12***
Total	**-**	**71**	**12**	**83**

As of 31 December 2020 and 31 December 2019, no transfers between the fair value levels were made.

The following table presents the fair value of financial instruments reported at amortised cost:

In millions of CZK

	Carrying amount 31 December 2020	Fair value 31 December 2020
Financial assets		
Loans to other than credit institutions (including allowances for bad debt)	517	516
Total	**517**	**516**
Financial liabilities		
Bills of exchange issued at amortised cost	1 188	1 196
Other financial liabilities	5	5
Total	**1 193**	**1 201**

In millions of CZK

	Carrying amount 31 December 2019	Fair value 31 December 2019
Financial assets		
Loans to other than credit institutions (including allowances for bad debt)	944	943
Total	**944**	**943**
Financial liabilities		
Bills of exchange issued at amortised cost	1 838	1 607
Other financial liabilities	4	4
Total	**1 842**	**1 611**

All financial instruments carried at amortised cost are classified as part of Level 2 of the fair value hierarchy (for more details about the valuation methods refer to Note 2(d) i – Assumptions and estimation uncertainties).

Fair values of trade receivables, other assets and trade payables are equal to their carrying amounts.

26. Trade Payables and Other Liabilities

In millions of CZK

	31 December 2020	31 December 2019
Trade payables	3 898	4 206
Payables to employees	616	590
Payables for supplies from ongoing contacts	541	609
Unbilled supplies	206	85
Prepayments received	199	659
Retentions from contractors	170	95
Estimated payables	151	160
Tax liabilities	150	119
Accrued expenses	42	19
Liabilities to owners	5	5
Other liabilities	176	110
Total	**6 154**	**6 657**
Non-current	179	306
Current	5 975	6 351
Total	**6 154**	**6 657**

Trade payables and other liabilities as of 31 December 2020 and 31 December 2019 were not secured.

As of 31 December 2020 and 31 December 2019, no liabilities to social security and health insurance or tax authorities were overdue.

Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

All payables for supplies from ongoing contracts reported as of 31 December 2019 were settled during 2020.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 31 – Risk Management Policies and Disclosures.

27. Deferred Income

In CZK million

	31 December 2020	31 December 2019
Government grants	52	76
Other	115	73
Total	**167**	**149**
Non-current	54	78
Current	113	71
Total	**167**	**149**

The Group received various government grants related to assets necessary for its activities (such as containers, sweepers, cars etc.) under the condition of acquiring these assets. Grants reported as deferred income are depreciated over the useful lives of these assets.

28. Financial Guarantees and Contingent Liabilities

In CZK million

	31 December 2020	31 December 2019
Provided pledges – securities	6 041	6 042
Provided guarantees	1 187	1 182
Other provided pledges	3 092	3 216
Total	**10 320**	**10 440**

Provided pledges represent securities of the individual group companies used as security for external financing.

Provided guarantees represent guarantees for the liabilities of companies in the consolidation group.

Other provided pledges relate to:

In CZK million

	31 December 2020	31 December 2019
Property, plant and equipment	1 079	943
Trade receivables	1 003	1 200
Cash and cash equivalents	904	417
Inventory	106	656
Total	**3 092**	**3 216**

AVE CZ odpadové hospodářství s.r.o. and AVE Kladno s.r.o. (2019: AVE CZ odpadové hospodářství s.r.o., and AVE Kladno s.r.o.) pledged all their assets including equity investments as security for loan financing. These values are not included in the figures above.

29. Leases

A LEASES WITH THE GROUP AS THE LESSEE

The Group leases buildings and motor vehicles. The leases have various conditions and various lease terms. For certain leases, the Group has the option to extend the lease at the end of the lease term.

The Group decided not to report right-of-use assets and lease liabilities with respect to some low-value assets and short-term leases (lease term of 12 months or less). The lease payments related to these leases are reported as expenses.

RIGHT-OF-USE ASSETS

The right-of-use assets related to leased land and buildings and technical devices, machinery and equipment that do not meet the definition of investment property are reported as property, plant and equipment (refer to Note 13 - Property, plant and equipment).

In CZK million

	Land and buildings	Technical devices, machinery and equipment
Balance at 1 January 2020	**233**	**558**
Depreciation for the year	-50	-285
Additions to right-of-use assets	16	344
Disposals of right-of-use assets	-2	-21
Impact of exchange rate changes	-	1
Balance at 31 December 2020	**197**	**597**

In CZK million

	Land and buildings	Technical devices, machinery and equipment
Balance at 1 January 2019	**278**	**597**
Depreciation for the year	-56	-255
Additions to right-of-use assets	12	211
Additions arising from business combinations	-	5
Disposals of right-of-use assets	-1	-
Balance at 31 December 2019	**233**	**558**

MATURITY ANALYSIS OF LEASE LIABILITIES

In CZK million

	31 December 2020	31 December 2019
Undiscounted contractual cash flows by maturity		
Up to 3 months	65	15
3 months to 1 year	226	273
1–5 years	513	506
Over 5 years	32	33
Total undiscounted contractual cash flows	**836**	**827**
Carrying amount	**836**	**836**

AMOUNTS REPORTED IN PROFIT OR LOSS

In CZK million

	2020	2019
Depreciation charge for the year	-335	-311
Interest on lease liabilities	-33	-37
Expenses related to short-term leases	-100	-100
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	-48	-49

AMOUNTS REPORTED IN THE CASH FLOWS STATEMENT

In CZK million

	2020	2019
Total cash outflow for leases	368	310

B LEASES WITH THE GROUP AS THE LESSOR

OPERATING LEASES

For the year ended 31 December 2020, the statement of comprehensive income included rental income of CZK 26 million (2019: CZK 28 million).

30. Assets and Liabilities Related to Discontinued Operations and Assets Held for Sale

A ASSETS RELATED TO DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The following asset items are presented as assets held for sale:

In CZK million

	31 December 2020	31 December 2019
Land and buildings held for sale	83	87
Total	**83**	**87**

As of 31 December 2020, specific assets of ELTRA, s.r.o. of CZK 83 million (2019: CZK 87 million) were classified as assets held for sale

B LIABILITIES RELATED TO DISCONTINUED OPERATIONS

As of 31 December 2020 and 2019, the Group reported no liabilities related to assets held for sale.

31. Risk Management Policies and Disclosures

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

In the normal course of its business, the Group is exposed to different market risks, notably the risk of changes in interest rates and exchange rates. To minimise this exposure, the Group enters into derivatives contracts to mitigate or manage the risks associated with individual transactions and overall exposures, using instruments available on the market.

A CREDIT RISK

I. EXPOSURE TO CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's policy is also to require suitable collateral or guarantee to be provided by customers. The exposure to credit risk is monitored on an ongoing basis.

ADDITIONAL ASPECTS MITIGATING CREDIT RISK

The carrying amount of financial represents the maximum credit exposure if counterparties fail to carry out completely their contractual obligations and any collateral or security proves to be of no value. The maximum credit exposure amounts disclosed below therefore greatly exceed expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of expected credit losses. The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables and contract assets, the Group has elected to measure loss allowances at an amount equal to lifetime ECLs.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

CREDIT RISK BY TYPE OF COUNTERPARTY

As of 31 December 2020

In CZK million

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Other	Total
Assets						
Cash and cash equivalents	-	-	-	1 825	10	**1 835**
Restricted cash	-	-	-	274	-	**274**
Trade receivables and other assets	6 594	341	2	-	53	**6 990**
Financial instruments and other financial assets	528	-	-	1	-	**529**
Total	**7 122**	**341**	**2**	**2 100**	**63**	**9 628**

As of 31 December 2019

In CZK million

	Corporate (non-financial institutions)	Stát, vláda	Finanční instituce	Banky	Ostatní	Celkem
Assets						
Cash and cash equivalents	-	-	-	1 941	9	**1 950**
Restricted cash	-	-	-	295	-	**295**
Trade receivables and other assets	6 995	374	7	-	53	**7 429**
Financial instruments and other financial assets	955	-	-	72	-	**1 027**
Total	**7 950**	**374**	**7**	**2 308**	**62**	**10 701**

CREDIT RISK BY LOCATION OF DEBTOR

As of 31 December 2020

In CZK million

	Czech Republic	Slovakia	Other	Total
Assets				
Cash and cash equivalents	1 646	145	44	**1 835**
Restricted cash	273	1	-	**274**
Trade receivables and other assets	4 315	1 298	1 377	**6 990**
Financial instruments and other financial assets	68	-	461	**529**
Total	**6 302**	**1 444**	**1 882**	**9 628**

As of 31 December 2019

In CZK million

	Czech Republic	Slovakia	Other	Total
Assets				
Cash and cash equivalents	1 687	245	18	**1 950**
Restricted cash	294	1	-	**295**
Trade receivables and other assets	5 259	1 050	1 120	**7 429**
Financial instruments and other financial assets	597	295	135	**1 027**
Total	**7 837**	**1 591**	**1 273**	**10 701**

II. IMPAIRMENT LOSSES

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired

financial assets ("POCI"). At the date of the initial recognition, the assets are included in Stage I or POCI. Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), respectively credit impaired assets (Stage III).

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. For more information refer to Note 3(c) – Non-derivative financial assets.

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The following table provides information about changes in the loss allowance durign the period:

Year 2020

In CZK million

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2020	**-**	**-**	**-244**	**-**	**-244**
Impairment losses reported during the year	-	-	-19	-	-19
Reversal of impairment losses reported during the year	-	-	11	-	11
Use of allowances during the year	-	-	15	-	15
Impact of exchange rate changes	-	-	-7	-	-7
Balance at 31 December 2020	**-**	**-**	**-244**	**-**	**-244**

Year 2019

In CZK million

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2019	**-**	**-**	**-107**	**-**	**-107**
Impairment losses reported during the year	-	-	-151	-	-151
Reversal of impairment losses reported during the year	-	-	9	-	9
Use of allowances during the year	-	-	5	-	5
Balance at 31 December 2019	**-**	**-**	**-244**	**-**	**-244**

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2020 were as follows:

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Balance at 1 January 2020	**-13**	**-231**	**-244**
Impairment losses reported during the year	-	-19	-19
Reversal of impairment losses reported during the year	-	11	11
Use of allowances during the year	14	1	15
Effects of changes in foreign exchange rates	-1	-6	-7
Balance at 31 December 2020	**-**	**-244**	**-244**

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2019 were as follows:

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Balance at 1 January 2019	**-4**	**-103**	**-107**
Impairment losses reported during the year	-9	-142	**-151**
Reversal of impairment losses reported during the year	-	9	**9**
Use of allowances during the year	-	5	**5**
Balance at 31 December 2019	**-13**	**-231**	**-244**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was as follows:

As at 31 December 2020

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	517	6 690	7 207
After maturity (net)	-	300	300
Total	**517**	**6 990**	**7 507**
A – Assets (gross)			
– before maturity	517	6 807	7 324
– after maturity <30 days	-	186	186
– after maturity 31–180 days	-	63	63
– after maturity 181–365 days	-	40	40
– after maturity >365 days	-	138	138
Total assets (gross)	**517**	**7 234**	**7 751**
B – Loss allowances for assets			
– before maturity	-	-117	-117
– after maturity <30 days	-	-3	-3
– after maturity 31–180 days	-	-24	-24
– after maturity 181–365 days	-	-16	-16
– after maturity >365 days	-	-84	-84
Total loss allowances	**-**	**-244**	**-244**
Total assets (net) (A + B)	**517**	**6 990**	**7 507**

As at 31 December 2019

In CZK million

	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	944	7 136	8 080
After maturity (net)	-	293	293
Total	**944**	**7 429**	**8 373**
A – Assets (gross)			
– before maturity	957	7 277	8 234
– after maturity <30 days	-	182	182
– after maturity 31–180 days	-	50	50
– after maturity 181–365 days	-	31	31
– after maturity >365 days	-	120	120
Total assets (gross)	**957**	**7 660**	**8 617**
B – Loss allowances for assets			
– before maturity	-13	-141	-154
– after maturity <30 days	-	-3	-3
– after maturity 31–180 days	-	-1	-1
– after maturity 181–365 days	-	-1	-1
– after maturity >365 days	-	-85	-85
Total loss allowances	**-13**	**-231**	**-244**
Total assets (net) (A + B)	**944**	**7 429**	**8 373**

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

The Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on the historical allowance matrix. Probability of default is taken from the historical allowance matrix (set up separately by each component) with the element of forward-looking information (the Group incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was insignificant as of 31 December 2020.

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

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting provision would be negligible.

B LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Various methods of managing liquidity risk are used by individual companies in the Group.

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

Typically, the Group ensures that it has sufficient cash on demand and assets within short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2020

In CZK million

	Carrying amount	Contractual cash flows[1]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years	Undefined maturity
Assets							
Cash and cash equivalents	**1 835**	1 835	1 835	-	-	-	-
Restricted cash	**274**	274	1	-	-	273	-
Trade receivables and other assets	**6 990**	[2]6 802	4 256	1 765	361	94	326
Financial instruments and other financial assets	**529**	541	1	459	70	-	11
of which: derivatives – inflow	***1***	*5*	*5*	-	-	-	-
– outflow	**-**	*-5*	*-5*	-	-	-	-
Total	**9 628**	**9 452**	**6 093**	**2 224**	**431**	**367**	**337**
Liabilities							
Loans and borrowings	**9 290**	9 416	285	1 212	6 237	1 682	-
Trade payables and other liabilities	**6 154**	[3]5 949	4 486	1 221	146	35	61
Financial instruments and other financial liabilities	**1 298**	1 354	306	492	507	49	-
of which: derivatives – inflow	***105***	*4 369*	*1 383*	*127*	*487*	*2 372*	-
– outflow	-	*-4 369*	*-1 383*	*-127*	*-487*	*-2 372*	-
Total	**16 742**	**16 719**	**5 077**	**2 925**	**6 890**	**1 766**	**61**
Net liquidity risk position	**-7 114**	**-7 267**	**1 016**	**-701**	**-6 459**	**-1 399**	**276**

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) Prepayments made and deferred expenses are excluded since these items will lead to no outflow of cash flows in future.
(3) Prepayments received and advances on contract liabilities are excluded since these items will lead to no outflow of cash flows in future.

As of 31 December 2019

In CZK million

	Carrying amount	Contractual cash flows[1]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years	Undefined maturity
Assets							
Cash and cash equivalents	**1 950**	1 950	1 950	-	-	-	-
Restricted cash	**295**	295	1	8	-	286	-
Trade receivables and other assets	**7 429**	[2]7 173	4 397	2 041	369	89	277
Financial instruments and other financial assets	**1 027**	1 035	3	931	48	41	12
of which: derivatives – inflow	***71***	*4 871*	*57*	*292*	*1 762*	*2 760*	-
– outflow	**-**	*-4 871*	*-57*	*-292*	*-1 762*	*-2 760*	-
Total	**10 701**	**10 453**	**6 351**	**2 980**	**417**	**416**	**289**
Liabilities							
Loans and borrowings	**9 096**	9 354	670	3 200	3 664	1 820	-
Trade payables and other liabilities	**6 657**	[3]5 995	3 915	1 924	111	11	34
Financial instruments and other financial liabilities	**1 842**	1 869	384	788	697	-	-
Total	**17 595**	**17 218**	**4 969**	**5 912**	**4 472**	**1 831**	**34**
Net liquidity risk position	**-6 894**	**-6 765**	**1 382**	**-2 932**	**-4 055**	**-1 415**	**255**

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) Prepayments made and deferred expenses are excluded since these items will lead to no outflow of cash flows in future.
(3) Prepayments received and advances on contract liabilities are excluded since these items will lead to no outflow of cash flows in future.

The cash flows included in the maturity analysis are not expected to occur significantly sooner or in significantly higher volumes.

C INTEREST RATE RISK

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities will mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are notinterest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount lower than or equal to that of the underlying financial liability and expiry date, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as of 31 December 2020 is as follows:

In CZK million

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	1 825	-	-	10	**1 835**
Restricted cash	274	-	-	-	**274**
Trade receivables and other assets	-	-	-	6 990	**6 990**
Financial instruments and other financial assets	461	56	-	12	**529**
of which: derivatives – inflow	*5*	-	-	-	***5***
– outflow	*-5*	-	-	-	***-5***
Total	**2 560**	**56**	**-**	**7 012**	**9 628**
Liabilities					
Loans and borrowings	6 354	2 936	-	-	**9 290**
Trade payables and other liabilities	-	-	-	6 154	**6 154**
Financial instruments and other financial liabilities	838	458	-	2	**1 298**
of which: derivatives – inflow	*4 053*	*316*	-	-	***4 369***
– outflow	*-4 053*	*-316*	-	-	***-4 369***
Total	**7 192**	**3 394**	**-**	**6 156**	**16 742**
Net interest rate risk position	**-4 632**	**-3 338**	**-**	**856**	**-7 114**

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as of 31 December 2019 is as follows:

In CZK million

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	1 941	-	-	9	**1 950**
Restricted cash	295	-	-	-	**295**
Trade receivables and other assets	-	-	-	7 429	**7 429**
Financial instruments and other financial assets	1 003	12	-	12	**1 027**
of which: derivatives – inflow	*4 871*	-	-	-	***4 871***
– outflow	*-4 871*	-	-	-	***-4 871***
Total	**3 239**	**12**	**-**	**7 450**	**10 701**
Liabilities					
Loans and borrowings	6 933	2 163	-	-	**9 096**
Trade payables and other liabilities	-	-	-	6 657	**6 657**
Financial instruments and other financial liabilities	1 171	671	-	-	**1 842**
Total	**8 104**	**2 834**	**-**	**6 657**	**17 595**
Net interest rate risk position	**-4 865**	**-2 822**	**-**	**793**	**-6 894**

Nominal amounts of financial instruments are included in Note 25 – Financial instruments.

SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised interest rate shock, for financial assets and liabilities to be repriced up to 1 year time, i.e. an immediate decrease/increase in interest rates by 1% along the whole yield curve is applied to the interest rate positions of the portfolio.

At the reporting date, a change of 1% in market interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In CZK million

	31 December 2020	31 December 2019
Decrease in interest rates by 1%	-	1
Increase in interest rates by 1%	-	-1

The analysis stated above does not reflect the impact of change in interest rate on the fair value of derivatives.

D FOREIGN EXCHANGE RATE RISK

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

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other that the respective functional currencies of Group entities, primarily EUR.

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

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

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

As of 31 December 2020, the exposure of the Group to foreign exchange risk (translated to millions of CZK) was as follows:

In CZK million

	CZK	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	1 608	195	3	29	**1 835**
Restricted cash	273	1	-	-	**274**
Trade receivables and other assets	5 297	1 656	1	36	**6 990**
Financial instruments and other financial assets	466	61	-	2	**529**
	7 644	**1 913**	**4**	**67**	**9 628**
Liabilities					
Loans and borrowings	7 450	1 839	-	1	**9 290**
Trade payables and other liabilities	5 143	997	4	10	**6 154**
Financial instruments and other financial liabilities	1 164	134	-	-	**1 298**
	13 757	**2 970**	**4**	**11**	**16 742**

As of 31 December 2019, the exposure of the Group to foreign exchange risk (translated to millions of CZK) was as follows:

In CZK million

	CZK	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	1 485	391	11	63	**1 950**
Restricted cash	294	1	-	-	**295**
Trade receivables and other assets	5 949	1 431	5	44	**7 429**
Financial instruments and other financial assets	978	44	-	5	**1 027**
	8 706	**1 867**	**16**	**112**	**10 701**
Liabilities					
Loans and borrowings	7 999	1 093	-	4	**9 096**
Trade payables and other liabilities	4 998	1 648	-	11	**6 657**
Financial instruments and other financial liabilities	1 698	144	-	-	**1 842**
	14 695	**2 885**	**-**	**15**	**17 595**

SENSITIVITY ANALYSIS

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

Effect in CZK million

	31 December 2020	31 December 2019
EUR (5% strengthening)	-53	-51

A weakening of the Czech crown against the above currency at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

E OPERATING RISK

Operating risk is a risk of losses arising from embezzlement, unauthorised activities, errors, omissions, inefficiencies or system failures. A risk of this type arises in all of the Group's activities and all business entities are exposed to it. Operating risks include legal risks.

The Group's objective is to manage operating risk so as to maintain balance between prevention

of financial losses and damage to the Company's good name, and overall efficiency of the costs incurred. Risk management procedures should not impede initiative and creativity.

Primary responsibility for the application of control mechanisms for managing operating risks is borne by the management of each subsidiary. They are supported by the general risk management standards applicable to the entire Group. These general standards, prepared by the risk department, cover the following areas:

- Transaction reconciliation and monitoring requirements;
- Identification of operating risks within the control system of each subsidiary (determination of conditions for decreasing and limiting operating risks and their impacts and consequences; recommendations of suitable solutions for this area);
- By gaining awareness of operating risks, the Group creates conditions for determining and directing the procedures and measures that will lead to reductions of operating risks and to the adoption of decisions on:
  - Recognition of the individual existing risks;
  - Initiation of processes that will lead to limitations of possible impacts; or
  - Narrowing of the space for risk activities or their complete discontinuation.

F COMMODITY RISK

The Group is not exposed to any significant risks resulting from fluctuations in the prices of commodities. Therefore no significant derivatives were used to reduce the exposure to fluctuations in commodity prices.

G CAPITAL MANAGEMENT

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

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

In CZK million

	31 December 2020	31 December 2019
Total liabilities	18 057	19 171
Less cash and cash equivalents	-1 835	-1 950
Net debt	**16 222**	**17 221**
Total equity attributable to equity holders of the Company	2 907	2 267
Less amounts accumulated in equity in relation to cash flow hedges	-	-
Adjusted capital	**2 907**	**2 267**
Debt to adjusted capital	**5,58**	**7,60**

32. Related Parties

SPECIFICATION OF RELATED PARTIES

The Group has a related party relationship with its shareholders and other parties, as identified in the following table:

A SUMMARY OF OUTSTANDING BALANCES WITH RELATED PARTIES AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019:

In CZK million

	Accounts receivable and other financial assets 2020	Accounts payable and other financial liabilities 2020	Accounts receivable and other financial assets 2019	Accounts payable and other financial liabilities 2019
Ultimate shareholders and companies controlled by ultimate shareholders	-	118	151	108
Associates	53	-	-	-
Other related parties	241	15	31	10
Total	**294**	**133**	**182**	**118**

B SUMMARY OF RELATED PARTY TRANSACTIONS IN THE YEAR ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019:

In CZK million

	Revenues 2020	Expenses 2020	Revenues 2019	Expenses 2019
Ultimate shareholders and companies controlled by ultimate shareholders	5	10	8	6
Other related parties	157	90	50	35
Total	**162**	**100**	**58**	**41**

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

TRANSACTIONS WITH MEMBERS OF THE BOARD OF DIRECTORS OF EPI

In 2020 and 2019, the EPI Group provided the members of the Company's Board of Directors with no remuneration in cash or in kind.

Remuneration of the key management personnel of EPIH Group is included in Note 8 – Personnel expenses.

33. Group Entities

The list of the Group entities as of 31 December 2020 and 31 December 2019 is set out below:

Company	Country of incorporation	Industry sector	31 December 2020			31 December 2019		
			Ownership %	Ownership interest	Measurement	Ownership %	Ownership interest	Measurement
EP Industries, a.s.[1]	Czech Republic	1,2,3	100	Direct	Full	100	Direct	Full
BAULIGA a.s.[1]	Czech Republic	2	100	Direct	Full	100	Direct	Full
SOR Libchavy spol. s r.o.	Czech Republic	2	100	Direct	Full	100	Direct	Full
SOR SLOVAKIA, s.r.o.	Slovakia	2	100	Direct	Full	100	Direct	Full
SOR Poland z o.o.	Poland	2	100	Direct	Full	100	Direct	Full
SOR Bulgaria EOOD	Bulgaria	2	100	Direct	Full	100	Direct	Full
RAIL ELECTRONICS CZ s.r.o.	Czech Republic	2	50	Direct	At cost (fair value)	50	Direct	At cost (fair value)
ESTABAMER LIMITED[1]	Cyprus	1	100	Direct	Full	100	Direct	Full
SES Energy, a.s.	Slovakia	1	100	Direct	Full	100	Direct	Full
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	Slovakia	1	89,83	Direct	Full	89,83	Direct	Full
SES INSPEKT, s.r.o.	Slovakia	1	100	Direct	Full	100	Direct	Full
SES BOHEMIA s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Ingenieria y construccion SES Chile Ltda.	Chile	1	100	Direct	Full	100	Direct	Full
ENERGOPROJEKTY a.s., v likvidácii	Slovakia	1	34	Direct	Equity	34	Direct	Equity
SES Polska sp. z o. o. w likwidacji	Poland	1	100	Direct	Full	-	-	-
SES BOHEMIA ENGINEERING, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Energetické opravny, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EO TECHNOLOGY s.r.o.	Czech Republic	1	100	Direct	Full	-	-	-
STELMAR s.r.o.	Czech Republic	1	-	-	-	100	Direct	Full
TAHOBA INVESTMENTS LIMITED[1]	Cyprus	1	88	Direct	Full	88	Direct	Full
Energetické montáže Holding, a.s.[1]	Czech Republic	1	21,43	Direct	Full	21,43	Direct	Full
MSEM, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
VČE – montáže, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
SEG s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
MONTPROJEKT, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	90	Direct	Full	90	Direct	Full
EGEM Sp. z o.o.	Poland	1	100	Direct	Full	100	Direct	Full
PROFI EMG s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	10	Direct	Full	10	Direct	Full
PEZ – projekce energetických zařízení s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full

Company	Country of incorporation	Industry sector	31 December 2020			31 December 2019		
			Ownership %	Ownership interest	Measurement	Ownership %	Ownership interest	Measurement
Elektrovod a.s.	Slovakia	1	100	Direct	Full	100	Direct	Full
HERINGTON INVESTMENTS LIMITED[1]	Cyprus	1	88	Direct	Full	88	Direct	Full
Energetické montáže Holding, a.s.[1]	Czech Republic	1	78,57	Direct	Full	78,57	Direct	Full
MSEM, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
VČE – montáže, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
SEG s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
MONTPROJEKT, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	90	Direct	Full	90	Direct	Full
EGEM Sp. z o.o.	Poland	1	100	Direct	Full	100	Direct	Full
PROFI EMG s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EGEM, s.r.o.	Slovakia	1	10	Direct	Full	10	Direct	Full
PEZ – projekce energetických zařízení s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Elektrovod a.s.	Slovakia	1	100	Direct	Full	100	Direct	Full
ED Holding a.s.[1]	Czech Republic	1	100	Direct	Full	100	Direct	Full
EŽP Invest a.s. (dříve ZERTILIO a.s.[1])	Czech Republic	1	100	Direct	Full	100	Direct	Full
ELTRA, s.r.o.	Slovakia	1	100	Direct	Full	100	Direct	Full
EZ-ELEKTROSYSTÉMY Košice s.r.o.	Slovakia	1	80	Direct	Full	80	Direct	Full
Elektrizace železnic Praha a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
TRAMO RAIL, a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
EZ-ELEKTROSYSTÉMY Košice s.r.o.	Slovakia	1	20	Direct	Full	20	Direct	Full
ELQA, s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Fintherm a.s.	Czech Republic	2	100	Direct	Full	100	Direct	Full
T.O.O., spol. s r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
ABRUZZO a.s.	Slovakia	2	100	Direct	Full	-	-	-
PI1 a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
I&C Energo a.s.	Czech Republic	1	100	Direct	Full	100	Direct	Full
ENPRO Energo s.r.o.	Czech Republic	1	100	Direct	Full	100	Direct	Full
Winning Automotive a.s.[1]	Czech Republic	2	50	Direct	Equity	-	-	-
Winning BLW GmbH	Germany	2	100	Direct	Equity	-	-	-
Winning BLW Management GmbH	Germany	2	100	Direct	Equity	-	-	-
PIRAMEL ENTERPRISES LIMITED[1]	Cyprus	3	90	Direct	Full	90	Direct	Full
ANDELTA, a.s.[1]	Czech Republic	2,3	100	Direct	Full	100	Direct	Full
AVE CEE Holding GmbH[1][2]	Austria	3	-	-	-	100	Direct	Full
AVE CZ odpadové hospodářství s.r.o.	Czech Republic	3	75	Direct	Full	75	Direct	Full

Company	Country of incorporation	Industry sector	31 December 2020			31 December 2019		
			Ownership %	Ownership interest	Measurement	Ownership %	Ownership interest	Measurement
AVE Ústí nad Labem s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
REKKA s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Sběrné suroviny a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kolín s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
EKO SKLÁDKA spol. s r.o.	Czech Republic	3	24	Direct	At cost (fair value)	24	Direct	At cost (fair value)
AVE Services s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kralupy s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kladno s.r.o.	Czech Republic	3	99,79	Direct	Full	99,79	Direct	Full
ZDIBE, spol. s r.o.[3]	Czech Republic	3	-	-	-	49,90	Direct	Full
SKS Invest s.r.o.	Czech Republic	3	49,97	Direct	At cost (fair value)	49,97	Direct	At cost (fair value)
ZDIBE, spol. s r.o. [3]	Czech Republic	3	-	-	-	50	Direct	Full
PETKA CZ, a.s.	Czech Republic	3	64,29	Direct	Full	64,29	Direct	Full
DOKOM FINAL s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Pražské komunální služby a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
ALCEDO IS, s.r.o.[4]	Czech Republic	3	-	-	-	100	Direct	Full
SELIMETO SE[1]	Czech Republic	3	100	Direct	Full	-	-	-
PIRAMEL ENTERPRISES LIMITED[1]	Cyprus	3	10	Direct	Full	-	-	-
ANDELTA, a.s.[1]	Austria	3	100	Direct	Full	100	Direct	Full
AVE CEE Holding GmbH[1][2]	Austria	3	-	-	-	100	Direct	Full
AVE CZ odpadové hospodářství s.r.o.	Czech Republic	3	75	Direct	Full	75	Direct	Full
AVE Ústí nad Labem s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
REKKA s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Sběrné suroviny a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kolín s.r.o.	Czech Republic	3	90	Direct	Full	90	Direct	Full
EKO SKLÁDKA spol. s r.o.	Czech Republic	3	24	Direct	At cost (fair value)	24	Direct	At cost (fair value)
AVE Services s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kralupy s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full
AVE Kladno s.r.o.	Czech Republic	3	99,79	Direct	Full	99,79	Direct	Full
ZDIBE, spol. s r.o.[3]	Czech Republic	3	-	-	-	49,90	Direct	Full
SKS Invest s.r.o.	Czech Republic	3	49,97	Direct	At cost (fair value)	49,97	Direct	At cost (fair value)
ZDIBE, spol. s r.o. [3]	Czech Republic	3	-	-	-	50	Direct	Full
PETKA CZ, a.s.	Czech Republic	3	64,29	Direct	Full	64,29	Direct	Full
DOKOM FINAL s.r.o.	Czech Republic	3	100	Direct	Full	100	Direct	Full

Company	Country of incorporation	Industry sector	31 December 2020			31 December 2019		
			Ownership %	Ownership interest	Measurement	Ownership %	Ownership interest	Measurement
AVE Pražské komunální služby a.s.	Czech Republic	3	100	Direct	Full	100	Direct	Full
ALCEDO IS, s.r.o.(4)	Czech Republic	3	-	-	-	100	Direct	Full
AVE SK odpadové hospodárstvo s.r.o.	Slovensko	3	100	Přímý	Plný	100	Přímý	Plný
AVE Umwelt Ukrajine TOB	Ukrajina	3	100	Přímý	Plný	100	Přímý	Plný
AVE Vinogradovo TOB	Ukrajina	3	96,31	Přímý	Plný	96,31	Přímý	Plný
AVE Iwano-Frankiwsk TOB	Ukrajina	3	96,28	Přímý	Plný	96,28	Přímý	Plný
AVE Mukatschewo TOB	Ukrajina	3	60,15	Přímý	Plný	60,15	Přímý	Plný
AVE Lviv TOB	Ukraine	3	-	-	-	80	Direct	Full
AVE Uzhgorod TOB	Ukrajina	3	100	Přímý	Plný	100	Přímý	Plný
AVE Polygon	Ukrajina	3	100	Přímý	Pořiz. cena	100	Přímý	Pořiz. cena

(1) Special purpose entity.
(2) As of 10 December 2020, AVE CEE Holding GmbH merged with ANDELTA, a.s. ANDELTA, a.s. is the successor company.
(3) As of 1 July 2020, ZDIBE, spol. s r.o. merged with AVE CZ odpadové hospodářství s.r.o. AVE CZ odpadové hospodářství s.r.o. is the successor company.
(4) As of 1 July 2020, ALCEDO IS, s.r.o. merged with AVE CZ odpadové hospodářství s.r.o. AVE CZ odpadové hospodářství s.r.o. is the successor company.

Industries:
(1) Technical engineering activities and services
(2) Production and other activities
(3) Waste management

The structure above is listed by ownership of companies at the different levels within the Group.

34. COVID-19 Pandemic

In late 2019, China released the first news regarding COVID-19 (caused by the novel coronavirus) and in the following months, the virus spread globally, adversely affecting a number of countries. Even though events continued unfolding and at the time of publishing of these financial statements the situation keeps changing, the Group seems to have been able to minimise the negative effects of the pandemic on the global trade, companies and individuals.

In the course of the pandemic, the Group introduced a wide range of measures mitigating the impacts on employees and facilitating a smooth operation of individual divisions of the Group. The accepted measures include, for example:

- Considerable expansion of home office opportunities for all employees whose job content does not require direct presence in the office;

- Special regimes for employees working in production or on external projects; and
- Regular testing.

Starting from the first day of the pandemic situation, the management of the EPI Group has also released internal communication on a regular basis in order to further clarify the measures and regulations of state administration bodies. In this context, the management has provided operating entities with technical assistance.

In accordance with the disclosure requirements, the Group carefully considered its specific conditions and risk factors when analysing the possible impacts of the global COVID-19 pandemic on its financial statements. Based on the assessment, no significant impacts on the consolidated financial statements for the year ended 31 December 2020 were identified. The Group mainly focused on the following areas on the level of individual entities as well as the parent company and provides the following summary:

- In connection with the impacts of the pandemic, the methodology of creating assumptions and estimates did not change compared to the procedures applied in previous financial statements. Any potential changes are described in the Notes above and have a different (e.g. legal) reason.
- When assessing the impacts of the pandemic, no reasons for the impairment of assets (i.e. intangible or tangible assets, financial investments, inventories or contractual assets) were identified; therefore, the Group believes that the consolidated financial statements fully reflect the recoverable amount or net realisable value of a particular asset.
- With respect to the uncertainty concerning the economic development on the European market, the Group's management considers the valuation of intangible assets to be a sensitive area. The Group performed standard impairment testing in line with IAS 36 – Intangible Assets. As part of these tests, the Group did not change the existing output system and did not modify the calculations. The Group identified no need to report impairment of intangible assets (namely goodwill).
- Similarly, when measuring assets at fair value, identifying provisions or considering changing the depreciation plans and classifying financial assets, market data at the measurement date were fully reflected at arm's length. The Group also assessed the ability of debtors to meet their obligations at the level of individual companies. The Companies also critically assessed whether their business activities were affected by supply and demand disruptions and identified no significant impacts that would affect the measurement of financial assets.
- The pandemic did not have a significant impact on lease contracts either. The underlying assets were and will be used to the extent as originally expected. Rent concessions are not considered significant by the companies.
- With respect to revenue recognition, the Group and its individual companies assessed the recoverability of receivables. No significant modifications or financing changes took place within contractual relations that would be caused by the effects of the pandemic. Appropriate provisions are recognised for onerous contracts in line with standard accounting policies.

- Some of the Group companies drew government subsidies in the minimum amount as an exceptional measure. The Group is convinced that the drawing of subsidies was justified and all the related documentation is available and considered sufficient for the eventuality of an inspection carried out by public authorities.

- The pandemic situation did not affect compliance with covenants.

- In connection with COVID-19, the Company neither excluded any items from operating income nor introduced any new alternative performance measures.

With respect to the pandemic, the Group does not plan to adjust the existing accounting and valuation principles in 2021, no changes are made as to the lifetime of assets or valuation of goodwill, trademarks and other intangible and tangible assets. Furthermore, the Group has not modified the anticipated recoverability and valuation of receivables or repayment of loan liabilities.

Based on the information which is currently available to the Group and despite short-term fluctuations because of the effects of the pandemic, the management does not anticipate any significant adverse impacts on the Group's results in the medium and long-term as they mostly relate to the strategic segments supported by local administrations. The Group's management considers the current situation temporary, anticipating a gradual recovery of economic activities or postponement of selected planned projects to subsequent periods. In respect of sales, EBITDA, working capital and CAPEX, the Group records development at the level of the comparable period in 2020.

With regard to the liquidity risk and the ability to repay received loans and comply with related bank covenants, the Group actively communicates with key providers of external financing and shareholders of the parent company. Based on the updated future outlooks, the Group's management does not anticipate any failure to comply with bank covenants in 2021.

The Group's management assessed the potential impacts of COVID-19 on its activities and business and concluded that they do not have a significant impact on the going concern assumption. Therefore, the consolidated financial statements as of 31 December 2020 were prepared based on the assumption that the Group will be able to continue as a going concern.

Despite the uncertainty relating to future events, the Group's management will continue to closely monitor and assess the impacts and adopt or adjust the relevant measures to be able to eliminate, successfully address and maximally mitigate all financial and non-financial impacts that may arise.

The Group's main goal is to secure the health and safety of its employees as well as the Group's ability to continue as a going concern in all areas of its activities.

35. Subsequent Events

In March 2021, the shareholders of the parent company EP INDUSTRIES HOLDING LIMITED adjusted their shares based on mutual agreement. The new shares in voting rights and share capital are as follows:

- EPI Holding a.s. 42,08%,

- BLYCONO SERVICES LIMITED 15,84%,

- NERUNA LIMITED 42,08%.

The change in shares does not affect any other previous arrangements.

Except for the matters described above and elsewhere in these notes, the management of the Company is not aware of any other significant subsequent events that could have an impact on the financial statements as of 31 December 2020.

Date:	Signature of the authorised representative:	
15 June 2021	Jiří Nováček Chairman of the Board of Directors	Hana Krejčí Member of the Board of Directors

Independent Auditor's Report on the Unconsolidated Financial Statements

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of
EP Industries, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

Opinion

We have audited the accompanying financial statements of EP Industries, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EP Industries, a.s. as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

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 guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Consolidated Annual Report

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 financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements is, in all material respects, consistent with the 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 of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

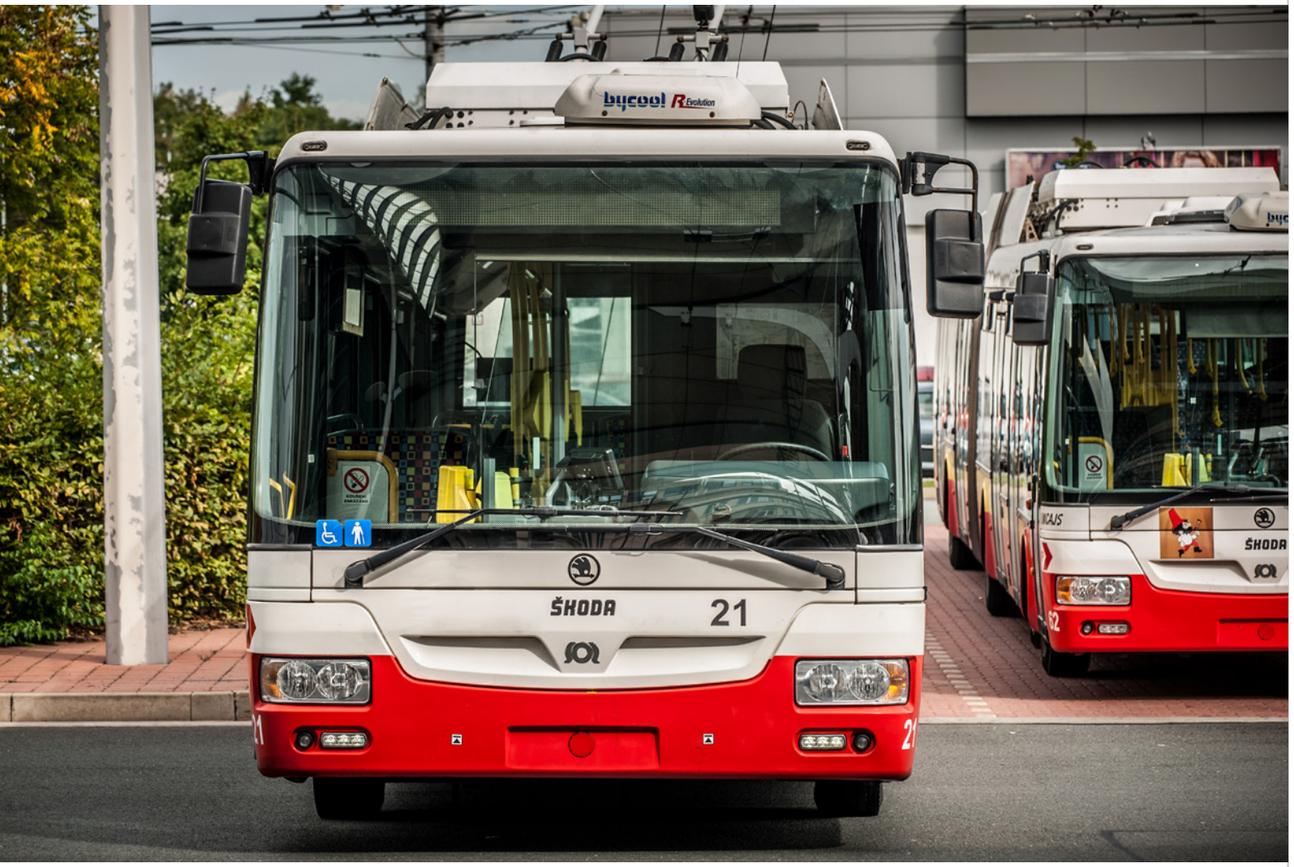
In Prague on 15 June 2021

Audit firm:

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

Statutory auditor:

Ladislav Šauer
registration no. 2261



Separate Financial Statements

Financial Statements
for the year ended 31 December 2020

NAME OF THE COMPANY:	EP Industries, a. s.
REGISTERED OFFICE:	Pařížská 130/26, 110 00 Prague 1-Josefov
LEGAL STATUS:	Joint Stock Company
Corporate ID:	292 94 746

COMPONENTS OF THE FINANCIAL STATEMENTS:

Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 15 June 2021.

Statutory body of the reporting entity:	Signature
Mgr. Ing. Jiří Nováček Chairman of the Board of Directors	
Mgr. Hana Krejčí, Ph.D. Member of the Board of Directors	

Balance sheet

EP Industries, a. s.
Corporate ID 292 94 746

FULL VERSION

Pařížská 130/26
Josefov
110 00 Prague 1

As of 31.12.2020
(in CZK thousand)

		31.12.2020			31.12.2019
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	**12 007 746**	**1 215 134**	**10 792 612**	**11 204 256**
B.	**Fixed assets**	**10 248 096**	**859 468**	**9 388 628**	**8 712 146**
B.I.	***Intangible fixed assets***	**95**	**82**	**13**	**29**
B.I.4.	Other intangible fixed assets	95	82	13	29
B.II.	***Tangible fixed assets***	**4 462**	**3 535**	**927**	**1 803**
B.II.2.	Tangible movable assets and sets of tangible movable assets	4 462	3 535	927	1 803
B.III.	***Non-current financial assets***	**10 243 539**	**855 851**	**9 387 688**	**8 710 314**
B.III.1.	Equity investments – controlled or controlling entity	10 243 539	855 851	9 387 688	8 710 314
C.	**Current assets**	**1 759 650**	**355 666**	**1 403 984**	**2 492 110**
C.I.	***Inventories***	**14 513**		**14 513**	**2 802**
C.I.2.	Work in progress and semifinished goods	14 513		14 513	2 802
C.II.	***Receivables***	**1 625 459**	**355 666**	**1 269 793**	**1 968 356**
C.II.1.	***Long-term receivables***	**78 747**		**78 747**	**824 683**
C.II.1.2.	Receivables – controlled or controlling entity	78 747		78 747	820 746
C.II.1.5.	*Receivables – other*				**3 937**
C.II.1.5.4.	Sundry receivables				3 937
C.II.2.	***Short-term receivables***	**1 546 712**	**355 666**	**1 191 046**	**1 143 673**
C.II.2.1.	Trade receivables	29 530		29 530	9 348
C.II.2.2.	Receivables – controlled or controlling entity	1 497 578	355 666	1 141 912	859 275
C.II.2.4.	*Receivables – other*	**19 604**		**19 604**	**275 050**
C.II.2.4.3.	State – tax receivables	8 305		8 305	16 292
C.II.2.4.4.	Short-term prepayments made	729		729	3 080
C.II.2.4.6.	Sundry receivables	10 570		10 570	255 678
C.IV.	***Cash***	**119 371**		**119 371**	**520 579**
C.IV.1.	Cash on hand	74		74	70
C.IV.2.	Cash at bank	119 297		119 297	520 509
D.	**Other assets**	**307**		**307**	**373**
D.1.	Deferred expenses	307		307	373

		31.12.2020	31.12.2019
	TOTAL LIABILITIES & EQUITY	**10 792 612**	**11 204 256**
A.	**Equity**	**5 019 231**	**3 357 855**
A.I.	***Share capital***	**1 035 816**	**1 035 816**
A.I.1.	Share capital	1 035 816	1 035 816
A.II.	***Share premium and capital funds***	**1 179 355**	**797 028**
A.II.1.	Share premium	845 227	845 227
A.II.2.	*Capital funds*	**334 128**	**-48 199**
A.II.2.1.	Other capital funds	258 555	
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	75 573	-48 199
A.III.	***Funds from profit***	**96 517**	**96 517**
A.III.1.	Other reserve funds	96 517	96 517
A.IV.	***Retained earnings (+/-)***	**564 302**	**43 936**
A.IV.1.	Accumulated profits or losses brought forward (+/-)	564 302	43 936
A.V.	***Profit or loss for the current period (+/-)***	**2 143 241**	**1 622 917**
A.VI.	Profit share prepayments declared (-)		-238 359
B.+C.	**Liabilities**	**5 773 381**	**7 846 390**
B.	**Reserves**	**652**	**169**
B.IV.	Other reserves	652	169
C.	**Payables**	**5 772 729**	**7 846 221**
C.I.	***Long-term payables***	**1 704 829**	**1 175 876**
C.I.2.	Payables to credit institutions	918 575	182 952
C.I.5.	Long-term bills of exchange to be paid	451 954	668 644
C.I.6.	Payables - controlled or controlling entity	314 940	304 920
C.I.8.	Deferred tax liability	19 360	19 360
C.II.	***Short-term payables***	**4 067 900**	**6 670 345**
C.II.2.	Payables to credit institutions	143 949	127 573
C.II.4.	Trade payables	11 094	21 164
C.II.5.	Short-term bills of exchange to be paid	735 547	1 169 704
C.II.6.	Payables - controlled or controlling entity	3 174 584	5 329 667
C.II.8.	*Other payables*	**2 726**	**22 237**
C.II.8.2.	Short-term financial borrowings		20 771
C.II.8.3.	Payables to employees	1 268	852
C.II.8.4.	Social security and health insurance payables	343	182
C.II.8.5.	State - tax payables and subsidies	263	174
C.II.8.6.	Estimated payables	824	242
C.II.8.7.	Sundry payables	28	16
D.	**Other liabilities**		**11**
D.2.	Deferred income		11

Profit and loss account

EP Industries, a. s.
Corporate ID 292 94 746

Pařížská 130/26
Josefov
110 00 Prague 1

STRUCTURED BY THE NATURE OF EXPENSE METHOD

Year ended 31.12.2020
(in CZK thousand)

		Year ended 31.12.2020	Year ended 31.12.2019
I.	Sales of products and services	28 977	23 400
A.	Purchased consumables and services	**80 297**	**111 867**
A.2.	Consumed material and energy	5 406	584
A.3.	Services	74 891	111 283
B.	Change in internally produced inventory (+/-)	-11 711	-1 770
D.	Staff costs	**30 523**	**21 589**
D.1.	Payroll costs	23 798	17 180
D.2.	Social security and health insurance costs and other charges	**6 725**	**4 409**
D.2.1.	Social security and health insurance costs	6 718	4 405
D.2.2.	Other charges	7	4
E.	Adjustments to values in operating activities	**892**	**893**
E.1.	*Adjustments to values of intangible and tangible fixed assets*	**892**	**893**
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	892	893
III.	Other operating income	**18 491**	**5 921**
III.3.	Sundry operating income	18 491	5 921
F.	Other operating expenses	**17 827**	**6 283**
F.3.	Taxes and charges	240	31
F.4.	Reserves relating to operating activities and complex deferred expenses	483	-164
F.5.	Sundry operating expenses	17 104	6 416
*	**Operating profit or loss (+/-)**	**-70 360**	**-109 541**
IV.	Income from non-current financial assets - equity investments	2 627 969	1 714 340
IV.1.	Income from equity investments - controlled or controlling entity	2 627 969	1 714 340
G.	Costs of equity investments sold	2 700	207
VI.	Interest income and similar income	**65 649**	**61 006**
VI.1.	Interest income and similar income - controlled or controlling entity	42 519	48 398
VI.2.	Other interest income and similar income	23 130	12 608
I.	Adjustments to values and reserves relating to financial activities	154 470	-316 959
J.	Interest expenses and similar expenses	**308 277**	**348 107**
J.1.	Interest expenses and similar expenses - controlled or controlling entity	198 685	206 333
J.2.	Other interest expenses and similar expenses	109 592	141 774
VII.	Other financial income	94 747	27 820
K.	Other financial expenses	95 144	35 602
*	**Financial profit or loss (+/-)**	**2 227 774**	**1 736 209**
**	**Profit or loss before tax (+/-)**	**2 157 414**	**1 626 668**
L.	Income tax	**14 173**	**3 751**
L.1.	Due income tax	14 173	3 751
**	**Profit or loss net of tax (+/-)**	**2 143 241**	**1 622 917**
***	**Profit or loss for the current period (+/-)**	**2 143 241**	**1 622 917**
*	Net turnover for the current period	**2 835 833**	**1 832 487**

Statement of changes in equity

EP Industries, a. s.
Corporate ID 292 94 746

Pařížská 130/26
Josefov
110 00 Prague 1

Year ended 31.12.2020
(in CZK thousand)

	Share capital	Share premium	Gains or losses from the revaluation of assets and liabilities	Other capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Profit or loss for the current period	Profit share prepayment	Total equity
Balance at 31 December 2018	**1 035 816**	**845 227**	**-1 481**		**96 517**	**1 638 957**	**304 998**	**-1 900 019**	**3 920 034**
Distribution of profit or loss						304 998	-304 998		
Profit shares declared								1 661 660	1 661 660
Profit share prepayments declared						-1 900 019			-1 900 019
Gains or losses from the revaluation of assets and liabilities			-46 718						-46 718
Profit or loss for the current period							1 622 917		1 622 917
Balance at 31 December 2019	**1 035 816**	**845 227**	**-48 199**		**96 517**	**43 936**	**1 622 917**	**-238 359**	**3 357 855**
Distribution of profit or loss						1 622 917	-1 622 917		
Additional equity contribution				258 555					258 555
Profit share prepayments declared						-1 102 549		238 359	-864 190
Gains or losses from the revaluation of assets and liabilities			123 772						123 772
Rounding						-2	2 143 241		2 143 239
Balance at 31 December 2020	**1 035 816**	**845 227**	**75 573**	**258 555**	**96 517**	**564 302**	**2 143 241**		**5 019 231**

Cash Flow statement

EP Industries, a. s.
IČO 292 94 746

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2020
(in CZK thousand)

		Year ended 31.12.2020	Year ended 31.12.2019
P.	**Opening balance of cash and cash equivalents**	**520 579**	**590 114**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss before tax	2 157 414	1 626 668
A.1.	Adjustments for non-cash transactions	-2 255 048	-1 781 649
A.1.1.	Depreciation of fixed assets	892	893
A.1.2.	Change in provisions and reserves	149 072	-342 605
A.1.3.	Profit/(loss) on the sale of fixed assets	151	44
A.1.4.	Revenues from profit shares	-2 625 420	-1 714 177
A.1.5.	Interest expense and interest income	242 628	287 101
A.1.6.	Adjustments for other non-cash transactions	-22 371	-12 905
A.*	**Net operating cash flow before changes in working capital**	**-97 634**	**-154 981**
A.2.	Change in working capital	510 398	171 332
A.2.1.	Change in operating receivables and other assets	-370 289	107 839
A.2.2.	Change in operating payables and other liabilities	892 398	65 263
A.2.3.	Change in inventories	-11 711	-1 770
A.**	**Net cash flow from operations before tax**	**412 764**	**16 351**
A.3.	Interest paid	-158 558	-255 687
A.4.	Interest received	41 484	23 508
A.5.	Income tax paid from ordinary operations	-5 290	-15 871
A.***	**Net operating cash flows**	**290 400**	**-231 699**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-273 862	-256 011
B.2.	Proceeds from fixed assets sold	2 549	163
B.3.	Loans and borrowings to related parties	-130 329	-709 163
	Profit shares received	798 200	545 660
B.***	**Net investment cash flows**	**396 558**	**-419 351**
	Cash flow from financial activities		
C.1.	Change in payables from financing	-388 166	789 874
C.2.	Impact of changes in equity	-700 000	-208 359
C.2.6.	Profit shares paid	-700 000	-208 359
C.***	**Net financial cash flows**	**-1 088 166**	**581 515**
F.	**Net increase or decrease in cash and cash equivalents**	**-401 208**	**-69 535**
R.	**Closing balance of cash and cash equivalents**	**119 371**	**520 579**

EP INDUSTRIES

Notes to the Financial Statements
for the year ended 31 December 2020

Company name: EP Industries, a.s.

Registered office: Pařížská 130/26, Josefov, 110 00 Prague 1

Legal status: joint-stock company

Corporate ID: 292 94 746

Notes to the Financial Statements
(Separate)

EP INDUSTRIES, A.S.

ear Ended 31 December 2020
(CZK thousand)

1. Characteristics and Primary Activities

INCORPORATION AND CHARACTERISTICS OF THE COMPANY

EP Industries, a.s. (hereinafter the "Company" or "EPI") was recorded in the Register of Companies maintained by the Regional Court in Brno, Section B, File 6469 on 30 September 2011. On 19 July 2016, its file number changed to B 21734 kept by the Municipal Court in Prague.

EP Industries, a.s. was created as a result of a demerger by spin-off from the original company Energetický a průmyslový holding, a.s., corporate ID 283 562 50 ("Original Company") with the effective date of 1 January 2011. Based on the Demerged Project, a portion of the Original Company's net assets related to the holding of equity investments in companies operating outside of the power segment was transferred to EP Industries, a.s.

The EP INDUSTRIES is one of the most important industrial groups in the Czech Republic. The Company subsumes a wide range of enterprises operating in the segments of power engineering, transport infrastructure, automotive industry and waste management. The Company's employees are primarily involved in active administration, support and strategic management of the equity investments held.

COMPANY OWNERS

The Company's shareholders as of 31 December 2020 are:

EP INDUSTRIES HOLDING LIMITED 100 %

REGISTERED OFFICE

EP Industries, a. s.
Pařížská 130/26
Josefov
110 00 Prague 1
Czech Republic

CORPORATE ID

292 94 746

MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD AS OF 31 DECEMBER 2020:

MEMBERS OF THE BOARD OF DIRECTORS	MEMBERS OF THE SUPERVISORY BOARD
Jiří Nováček (Chairman)	Daniel Křetínský (Chairman)
Pavel Horský	Roman Korbačka
Hana Krejčí	Miroslav Straka
	Libor Kaiser

2. Principal Accounting Policies

The accompanying financial statements have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, and related regulations for the accounting of businesses, in particular Regulation No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The financial statements have been prepared under the historical cost convention.

The Company's financial statements have been prepared as of and for the year ended 31 December 2020, i.e. from 1 January 2020 to 31 December 2020 (hereinafter "2020" or "reporting period"). The financial statements for the prior reporting period were prepared for the calendar year from 1 January 2019 to 31 December 2019 ("2019").

The financial statements are in thousands of Czech crowns, unless stated otherwise.

A TANGIBLE AND INTANGIBLE ASSETS

VALUATION METHOD

Purchased assets are valued at costs according to Section 47 of Regulation No. 500/2002 Coll. Tangible fixed assets with acquisition costs of less than CZK 40 thousand and intangible fixed assets with acquisition costs of less than CZK 60 thousand are not recognised in the balance sheet and expensed in the year of acquisition.

Temporary impairment of intangible and tangible fixed assets is recognised using provisions that are included in the adjustment column of the balance sheet together with amortisation and depreciation.

The cost of technical improvements to intangible and tangible fixed assets increases their acquisition cost. Repairs and maintenance are charged to the current reporting period.

DEPRECIATION

Tangible and intangible fixed assets are depreciated based on the acquisition cost and estimated useful life on a straight-line monthly basis, the first depreciation charge is applied in the month following the date when the asset is put to use, and the depreciation is concluded in the month of disposal of the asset.

The following table shows the methods and depreciation periods by asset group:

Asset	Method	Depreciation period
Software	Straight line	3 years
Other intangible asset (logo)	Straight line	6 years
Computers	Straight line	3 years

Land, works of art and fixed assets under construction are not depreciated.

B FINANCIAL ASSETS

Non-current financial assets comprise equity investments in controlled and managed entities and available-for-sale equity investments.

Ownership interests are valued at acquisition cost upon purchase. Acquisition cost includes direct costs related to acquisition, such as fees and commissions to brokers, advisors and stock exchanges.

At the date of acquisition of the ownership interests, the Company categorises these non-current financial assets based on their nature as equity investments – controlled entity and equity investments in associates or debt securities held to maturity or available-for-sale securities and equity investments. Other long-term equity investments represent ownership interests in entities whose financial flows and operating processes cannot be significantly influenced by the Company in order to gain benefits from their business.

In the event of a temporary decrease in the recoverable value of the respective ownership interest, a provision is created based on the tests performed. Impairment tests are conducted in the form of discounted operating cash flows.

Ownership interests and securities that have been transferred to the Company in connection with the Demerger Project are recognised at the price determined by the expert.

If securities and ownership interests are held in foreign currencies, they are remeasured at the end of the reporting period at the current exchange rate announced by the Czech National Bank against the revaluation differences arising from the revaluation of assets and liabilities in equity.

C RECEIVABLES

Receivables are valued at their nominal values, assigned receivables are valued at acquisition cost, i.e. including related costs (Section 25 of Act No. 563/1991 Coll.). As of the balance sheet date, the temporary decrease in the amount of doubtful receivables is accounted for through the creation of provisions charged to expenses that are recognised in the balance sheet in the adjustment column.

Provisions are recognised for receivables that are 180 days past due and based on an analysis of customers' solvency.

Receivables arising from loans provided are increased by interest not collected as of the balance sheet date (with the exception of default interest).

D DERIVATIVES

TRADING DERIVATIVES

Financial derivatives held for trading are reported at fair value as of the balance sheet date as 'Other receivables' or 'Other payables' and the gains (losses) from changes in their fair values are included in income or expenses.

E INVENTORY

Internally generated inventory is valued at internal costs, which include the direct costs of production or other activity, and, where appropriate, the portion of indirect costs that relate to production or other activity.

F LOANS RECEIVED

Short-term and long-term loans or borrowings are recognised at their nominal value upon receipt. When preparing the financial statements, the outstanding balance of the loan or borrowing is increased by outstanding interest billed by the bank or by the other party. The portion of long-term loans or borrowings due within one year of the balance sheet date is recognised as a short-term loan or borrowing.

G FOREIGN EXCHANGE OPERATIONS

The Company uses the Czech National Bank's current exchange rates at the time of the acquisition of the asset or the liability for the translation of assets and liabilities denominated in foreign currencies to Czech crowns. Realised exchange rate gains and losses are recognised in income or expenses of the current year.

At the balance sheet date, foreign currency assets and liabilities were translated at the Czech National Bank's exchange rate and any exchange rate differences from the valuation of assets and liabilities were recognised in the accounts of financial income or expenses.

Notes to the Financial Statements (Separate)
EP industries, a.s.
Year Ended 31 December 2020
(CZK thousands)

H REVENUE AND EXPENSE RECOGNITION

Expenses and income are recognised in the period to which they relate on an accrual basis. In accordance with the principle of prudence, the Company charges to expenses the creation of reserves and provisions to cover all risks, losses and impairment that are known as of the balance sheet date.

I RECOGNITION OF PROJECTS

Work in progress is valued at internal costs, which include the cost of material, labour and other operating expenses, depending on the stage of completion. Decrease in work in progress is valued at actual internal costs.

J INCOME TAXATION

Income tax payable is calculated using the current tax rate on the accounting profit increased or decreased by permanently or temporarily non-tax deductible expenses and non-taxable income (e.g. creation and recognition of other reserves and provisions, representation costs, difference between depreciation for accounting and tax purposes).

Deferred income tax is determined for companies that form a group of enterprises and for all entities subject to the obligation to audit financial statements. It is based on the balance sheet approach, i.e. temporary differences between the tax base of assets or liabilities and their carrying amount in the balance sheet, calculated using the estimated income tax rate for the following period.

The income tax reserve is created by the Company since the date of preparation of the financial statements precedes the determination of the tax liability. In the following reporting period, the Company releases the reserve and recognises the identified tax liability.

In the balance sheet, the income tax reserve is reduced by the income tax prepayments made, and any resulting receivable is recognised under 'State – tax receivables'.

K CONSOLIDATION

The Company prepares the consolidated financial statements in accordance with the International Financial Reporting Standards. The consolidated financial statements will be published in the Register of Companies together with the consolidated annual report.

The consolidated financial statements of the widest group of entities for the year ended 31 December 2020 are prepared by EP INDUSTRIES HOLDING LIMITED, Kyriakou Matsi, 16 EAGLE HOUSE, 8th floor, Agioi Omologities, Nicosia, P.C. 1082, Republic of Cyprus. The consolidated financial statements will be available at the company's registered office.

L COSTS OF EXTERNAL FINANCING

Costs related to external financing, including the fees related to this financing, are charged to the expenses of the relevant year on a one-time basis.

M DIVIDENDS

Dividend income is recognised when the right to receive dividends is declared. Profit share advances received are recognised in the income of the current period, i.e. in the period when the decision on the advance payment was made.

3. Changes in Accounting Methods and Policies

No changes in accounting methods and policies were made in the year ended 31 December 2020.

4. Other Significant Events – Impacts of COVID-19 on the Financial Statements

The events related to the COVID-19 pandemic do not entail any uncertainties for the Company that would fundamentally challenge the Company's ability to continue as a going concern.

In accordance with the disclosure requirements, the Company carefully considered its specific conditions and risk factors when analysing the possible impacts of the global COVID-19 pandemic on its financial statements. Based on the assessment, no significant impacts on the financial statements for the year ended 31 December 2020 were identified. The Company mainly focused on the following areas:

- In connection with the impacts of the pandemic, the methodology of creating assumptions and estimates did not change compared to the procedures applied in previous financial statements. Any potential changes are described in the Notes above and have a different (e.g. legal) reason.
- When assessing the impacts of the pandemic, no reasons for the impairment of non-financial assets were identified; therefore, the Company believes that the financial statements fully reflect the recoverable amount or net realisable value of a particular asset.

- Similarly, when measuring assets at fair value, identifying provisions or classifying financial assets, market data at the measurement date were fully reflected at arm's length. The Company also assessed the ability of debtors to meet their obligations. The Company also critically assessed whether its business activities were affected by supply and demand disruptions and identified no significant impacts that would affect the measurement of financial assets.
- The Company received no government subsidies.
- The pandemic situation did not affect compliance with covenants.
- In connection with COVID-19, the Company neither excluded any items from the operating income nor introduced any new alternative performance measures.

Although there is uncertainty about future events, the Company's management will continue to critically monitor and assess the impacts of the pandemic and adopt or adjust relevant measures to be able to eliminate or successfully address and minimise all financial and non-financial impacts that may arise.

5. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

(CZK '000)

	Balance at 31 December 2020	Balance at 31 December 2019
Cash on hand	74	70
Cash at bank	119 297	520 509
Total cash	**119 371**	**520 579**

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset

6. Non-Current Financial Assets

Equity investments – controlled or controlling entity				
Equity investments – controlled entity	**Total profit (+) loss (-) for 2020 (in CZK/EUR thousand)**	**Equity as of 31 December 2020 (in CZK/EUR thousand)**	**Gross equity investment as of 31 December 2020 (in CZK thousand)**	**Gross equity investment as of 31 December 2019 (in CZK thousand)**
BAULIGA a.s.*	149 758 (CZK)	699 025 (CZK)	2 403 858	2 403 858
ED Holding, a.s.	636 905 (CZK)	816 494 (CZK)	259 156	259 156
Energetické opravny, a. s.*	25 201 (CZK)	57 027 CZK)	450 912	439 806
ESTABAMER LIMITED(2)	-567 (CZK)	0 (CZK)	236 677	227 339
Herington Investments Limited*	176 299 (CZK)	5 436 (CZK)	1 378 433	1 334 577
PIRAMEL ENTERPRISES LIMITED*	68 708 (EUR)	2 202 (EUR)	1 861 644	1 861 644
PI 1 a.s.	-556 (CZK)	258 463 (CZK)	877 603	877 603
SES BOHEMIA ENGINEERING, a.s.*	-3 883 (CZK)	2 627 (CZK)	13 458	13 458
SES ENERGY, a.s.*(2)	-281 (EUR)	341 (EUR)	337 458	310 205
TAHOBA INVESTMENTS LIMITED*	47 416 (CZK)	2 044 (CZK)	875 366	847 516
EŽP Invest a.s.	-	-	-	2 700
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. (“SES”)	-13 860 (EUR)	-6 562 (EUR)	734 353	710 989
ELQA, s.r.o.*(1)	19 274 (CZK)	54 321 (CZK)	138 736	132 736
Fintherm a.s.*	-3 463 (CZK)	100 941 (CZK)	87 312	87 312
T.O.O., spol. s r.o.*(1)	24 192 (CZK)	76 468 (CZK)	43 860	39 000
SELIMETO SE*	180 465 (CZK)	167 520 (CZK)	490 430	-
ABRUZZO a.s.*	0 (EUR)	25 (EUR)	717	-
Winning Automotive a.s.*	-101 (CZK)	106 861 (CZK)	53 566	-
Total			**10 243 539**	**9 547 899**

* Information based on unaudited statutory financial statements of the companies.
(1) An outstanding portion of the purchase price was paid in 2020 based on the contractual documentation.
(2) Increase in the equity investment through an additional equity contribution.

THE FOLLOWING CHANGES IN NON-CURRENT FINANCIAL ASSETS OCCURRED IN 2020:

- In February 2020, the Company sold a 100% equity investment in EŽP Invest a.s. in exchange for consideration.
- In August 2020, the Company purchased a 100% equity investment in ABRUZZO a.s.
- In December 2020, the Company purchased a 100% equity investment in SELIMETO SE.
- In December 2020, the Company purchased a 50% equity investment in Winning Automotive a.s.

All equity investments are fully owned, with the exception of PIRAMEL ENTERPRISES LIMITED (90%), Herington Investments Limited (88%), TAHOBA INVESTMENTS LIMITED (88%), SES (89,83%) and Winning Automotive a.s. (50%).

As of 31 December 2020 and 31 December 2019, the Company tested all of the aforementioned investments for impairment. Concerning the investment in SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s., the Company considered the fact that due to an adjusted strategy of equity investment holding, SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s. is undergoing an internal restructuring. Based on the current projections and estimates, this restructuring will lead into a better performance of the Company in the medium term. Based on the tests, temporary impairment was found with respect to the investments in the following entities:

(CZK ‘000)

Entity	2020	2019
ESTABAMER LIMITED	236 677	227 339
SES ENERGY, a.s.	223 654	223 654
Energetické opravny, a. s.	114 907	114 907
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	280 613	271 685
Total	**855 851**	**837 585**

As of 31 December 2020, the addresses of registered offices of the subsidiaries are as follows:

Company name	Registered office
BAULIGA a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
ED Holding, a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
ELQA, s.r.o.	Blanenská 1856/6, 664 34 Kuřim, Czech Republic
Energetické opravny, a.s.	Prunéřov 375, 432 01 Kadaň, Czech Republic
ESTABAMER LIMITED	Akropoleos, 59 – 61, SAVVIDES CENTER, Flat/Office 102, P. C. 2012, Nicosia, Republic of Cyprus
Fintherm a.s.	Za tratí 197, Třeboradice, 196 00 Praha 9, Czech Republic
Herington Investments Limited	Klimentos, 41-43, Klimentos Tower, 2nd floor, Flat/Office 23, 1061, Nicosia, Republic of Cyprus
PI 1, a.s.	Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
PIRAMEL ENTERPRISES LIMITED	Kyriakou Matsi, 16, EAGLE HOUSE, 8th floor, Ag. Omologites, P.C. 1082, Nicosia, Republic of Cyprus
SES BOHEMIA ENGINEERING, a.s.	Za tratí 415, Třeboradice, 196 00 Praha 9, Czech Republic
SES Energy, a. s.	Továrenská 210, Tlmače, 935 28, Slovak Republic
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	Továrenská 210, Tlmače, 935 28, Slovak Republic
TAHOBA INVESTMENTS LIMITED	Akropoleos, 59 – 61, SAVVIDES CENTER, Flat/Office 102, P. C. 2012, Nicosia, Republic of Cyprus
T.O.O., spol. s r. o.	Košinova 2967/103b, Královo Pole, 612 00 Brno, Czech Republic
SELIMETO SE	Pražská 1321/38a, Hostivař, 102 00 Praha 10, Czech Republic
ABRUZZO a.s.	Rosinská cesta 1/8223, Žilina 010 08, Slovak Republic
Winning Automotive a.s.	Křižíkova 2960/72, Královo Pole, 612 00 Brno, Czech Republic

7. Long-Term Receivables

In 2020, long-term receivables included loans provided to related parties in the amount of CZK 78 747 thousand (2019: CZK 820 746 thousand) (refer to Note 13. Information on Related Parties) and long-term loans provided to other non-bank entities in the amount of CZK 0 thousand (2019: CZK 3 937 thousand).

8. Short-Term Receivables

Short-term receivables predominantly include loans provided to related parties in the amount of CZK 1 497 578 thousand, without the impact of a provision in the amount of CZK 355 666 thousand (2019: CZK 1 078 735 thousand, without the impact of a provision in the amount of CZK 219 460 thousand), refer to Note 13. Information on Related Parties, and loans provided to other non-bank entities in the amount of CZK 10 570 thousand (2019: CZK 255 678 thousand).

STATE – TAX RECEIVABLES

Income tax prepayments made as of 31 December 2020 amount to CZK 14 082 thousand (31 December 2019: CZK 22 308 thousand). As of 31 December 2020, the prepayments were decreased by the recognised income tax reserve in the amount of CZK 12 741 thousand (31 December 2019: CZK 6 858 thousand), and there was an income tax overpayment for 2019 in the amount of CZK 2 286 thousand.

As of 31 December 2020, the Company records no receivables due in more than five years.

9. Statement of Changes in Equity

On 30 June 2020, the General Meeting decided on the allocation of the profit for 2019 into retained earnings brought forward.

On 30 June 2020, the Company declared a profit share prepayment to the sole shareholder in the amount of CZK 864 190 thousand. The prepayment was made in cash and by offsetting an additional equity contribution.

On 7 December 2020, the shareholder made an additional equity contribution in the amount of CZK 258 555 thousand, which was paid partly by offsetting against the dividend declared and partly by offsetting against a loan provided.

As of the date of approval of the financial statements, no proposal has been made for the allocation of the profit for 2020. The distribution proposal will be prepared by the Board of Director's for the Company's shareholder and subsequently discussed and approved at the General Meeting.

The change on the line 'Gains or losses from the revaluation of assets and liabilities' is caused by the exchange rate difference arising from the revaluation of equity investments denominated in foreign currencies.

10. Long-Term Payables

PAYABLES TO CREDIT INSTITUTIONS

As of 31 December 2020, the Company records a single long-term bank loan amounting to CZK 918 575 thousand (2019: CZK 182 952) thousand maturing in 2025 ("Bank No. 3"). The outstanding interest together with the short-term part of the loan is presented in the line 'Payables to credit institutions' within Short-Term Payables.

LONG-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2020

(CZK '000)

Creditor	Nominal value	Interest as of 31 December 2020
Bills of exchange to be paid in 2022/2023	422 700	29 254
Total	**422 700**	**29 254**

31 DECEMBER 2019

(CZK '000)

Creditor	Nominal value	Interest as of 31 December 2019
Bills of exchange to be paid in 2021/2022	649 268	19 376
Total	**649 268**	**19 376**

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

Payables to the controlled or controlling entity include payables arising from received loans in the amount of CZK 314 940 thousand (2019: CZK 304 920 thousand), refer to Note 13. Information on Related Parties.

DEFERRED TAX LIABILITY

The deferred tax liability reported in the amount of CZK 19 360 thousand (2019: CZK 19 360 thousand) is related to the revaluation of equity investments as of 1 January 2011.

11. Short-Term Payables

PAYABLES TO CREDIT INSTITUTIONS

As part of payables to credit institution, the Company reported primarily the following short-term bank loans as of 31 December 2020:

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2020	Maturity
Bank no. 3	131 225	-	2021
Total	**131 225**	**-**	-

As part of payables to credit institution, the Company reported primarily the following short-term bank loans as of 31 December 2019:

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2019	Maturity
Bank no. 3	127 050	-	2020
Total	**127 050**	**-**	

The bank loans are secured with a blank bill of exchange.

TRADE PAYABLES

No trade payable is due in more than five years of the balance sheet date..

SHORT-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2020

(CZK '000)

Creditor	Nominal value	Interest as of 31 December 2020
Bills of exchange to be paid in 2020/2021	700 992	34 555
Total	**700 992**	**34 555**

31 DECEMBER 2019

(CZK '000)

Creditor	Nominal value	Interest as of 31 December 2019
Bills of exchange to be paid in 2019/2020	1 076 342	93 362
Total	**1 076 342**	**93 362**

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

Payables to controlled or controlling entities included received loans in the amount of CZK 3 174 584 thousand (2019: CZK 5 329 667 thousand), refer to Note 13. Information on Related Parties

PAYABLES TO SHAREHOLDERS

As of 31 December 2020, the Company had no payables to shareholders.

12. Expenses and Income

Sales of own products and services predominantly include income from the services provided in the area of controlling and finance, from short-term sub-leases and from the provision of meeting rooms.

Costs of services predominantly include the costs of legal, accounting and tax advisory and expert services.

Other financial expenses (or other financial income) predominantly include foreign exchange losses and bank fees (or foreign exchange gains).

13. Information on Related Parties

Pursuant to Regulation No. 500/2002 Coll., Section 39b (8), the Company does not report transactions concluded between entities of the EPI consolidation group if these consolidated entities are fully owned by the Company.

A LONG-TERM RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2020

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2020	Maturity
BAULIGA a.s.	260	-	2022
SES BOHEMIA ENGINEERING, a.s.	25 017	74	2022
Winning Automotive a.s.	52 490	906	2023
Total	**77 767**	**980**	-

31 DECEMBER 2019

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2019	Maturity
PI 1 a.s.	779 281	-	2021
SES BOHEMIA ENGINEERING, a.s.	31 291	10	2021
SES ENERGY, a.s.	10 164	-	2021
Total	**820 736**	**10**	

B SHORT-TERM RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2020

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2020
PI 1 a.s.	779 281	-
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	684 882	27 500
TAHOBA INVESTMENTS LIMITED	4 492	1 423
Total short-term receivables from provided loans	**1 468 655**	**28 923**

31 DECEMBER 2019

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2019
Bauliga a.s.	609	-
EP Industries Holding Limited	149 581	1 702
Energetické opravny, a. s.	9 064	-
ESTABAMER LIMITED	910	-
Fintherm a.s.	14 051	-
PIRAMEL ENTERPRISES LIMITED	432 005	25 827
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a.s.	413 312	26 625
TAHOBA INVESTMENTS LIMITED	3 894	1 155
Total short-term receivables from provided loans	**1 023 426**	**55 309**

C LONG-TERM PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2020

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2020	Maturity
ELTRA, s.r.o.	314 940	-	2025
Total	**314 940**	**-**	

31 DECEMBER 2019

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2019	Maturity
ELTRA, s.r.o.	304 920	-	2025
Total	**304 920**	**-**	

D SHORT-TERM PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2020

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2020
AVE CZ odpadové hospodářství s.r.o.	1 330 500	24 706
EGEM s.r.o.*	52 594	308
Elektrizace železnic Praha a. s.	600 202	2 822
Energetické montáže Holding, a.s.	507 176	3 945
EP Industries Holding Limited	6 561	-
HERINGTON INVESTMENTS LIMITED	1 555	1
MSEM, a.s.	110 632	600
PROFI EMG s.r.o.	53 636	314
SEG s.r.o.	56 597	307
SELIMETO SE	150 003	-
SOR Libchavy spol. s r.o.	200 000	-
VČE – montáže, a.s.	71 736	389
Total	**3 141 192**	**33 392**

* The loan is payable at the creditor's request. The debtor is required to repay the loan as of the first anniversary of the signing of the loan contract immediately following the day of receiving the creditor's request for the repayment of the loan.

Notes to the Financial Statements (Separate)
EP industries, a.s.
Year Ended 31 December 2020
(CZK thousands)

31 DECEMBER 2019

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31 December 2019
AVE CEE Holding GmbH	1 789 254	74 488
AVE CZ odpadové hospodářství s.r.o.	1 480 500	33 788
EGEM s.r.o.*	227 803	306
Elektrizace železnic Praha a. s.	600 202	4 072
Energetické montáže Holding, a.s.	591 319	6 649
HERINGTON INVESTMENTS LIMITED	2 122	3
MSEM, a.s.	106 417	926
PROFI EMG s.r.o.	87 184	117
SEG s.r.o.	54 441	473
SOR Libchavy spol. s r.o.	200 000	-
VČE – montáže, a.s.	69 003	600
Total	**5 208 245**	**121 422**

* The loan is payable at the creditor's request. The debtor is required to repay the loan as of the first anniversary of the signing of the loan contract immediately following the day of receiving the creditor's request for the repayment of the loan.

E EXPENSES

2020

(CZK '000)

Counterparty	Type	2020
ANDELTA, a.s.	Interest expenses – loans	77 428
AVE CZ odpadové hospodářství s.r.o.	Interest expenses – loans	54 380
EGEM s.r.o.	Interest expenses – loans	5 775
Elektrizace železnic Praha a. s.	Interest expenses – loans	16 128
ELTRA, s.r.o.	Interest expenses – loans	6 377
Energetické montáže Holding, a.s.	Interest expenses – loans	16 219
EP Industries Holding Limited	Interest expenses – loans	3 151
HERINGTON INVESTMENTS LIMITED	Interest expenses – loans	6
MSEM, a.s.	Interest expenses – loans	3 890
PROFI EMG s.r.o.	Interest expenses – loans	2 470
SEG s.r.o.	Interest expenses – loans	1 990
SOR Libchavy spol. s r.o.	Interest expenses – loans	8 348
VČE – montáže, a.s.	Interest expenses – loans	2 522
EP Investment Advisors, s.r.o.	Operating expense	14 170
EP Power Europe, a.s.	Operating expense	103
EP Real Estate	Operating expense	390
Total		**213 347**

2019

(CZK '000)

Counterparty	Type	2019
AVE CEE Holding GmbH	Interest expenses – loans	51 056
AVE CZ odpadové hospodářství s.r.o.	Interest expenses – loans	33 788
EGEM s.r.o.	Interest expenses – loans	20 332
Elektrizace železnic Praha a. s.	Interest expenses – loans	14 846
ELTRA, s.r.o.	Interest expenses – loans	1 406
Energetické montáže Holding, a.s.	Interest expenses – loans	29 593
HERINGTON INVESTMENTS LIMITED	Interest expenses – loans	8
MSEM, a.s.	Interest expenses – loans	6 540
PROFI EMG s.r.o.	Interest expenses – loans	5 808
SEG s.r.o.	Interest expenses – loans	4 396
SOR Libchavy spol. s r.o.	Interest expenses – loans	33 767
VČE – montáže, a.s.	Interest expenses – loans	4 793
EP Infrastructure, a.s.	Operating expense	747
EP Investment Advisors, s.r.o.	Operating expense	17 365
EP Power Europe, a.s.	Operating expense	2 001
Total		**226 446**

F INCOME

2020

(CZK '000)

Counterparty	Type	2020
EGEM, a.s.	Operating income from advisory	2 040
Elektrizace železnic Praha a.s.	Operating income from advisory	2 520
Energetické opravny, a.s.	Operating income from advisory	480
Energetický a průmyslový holding, a.s.	Operating income from advisory	2 228
EP Infrastructure, a.s.	Operating income from advisory	1 547
EP Investment Advisors, s.r.o.	Operating income from advisory	194
EP Power Europe, a.s.	Operating income from advisory	4 025
EŽP Invest a.s.	Operating income from advisory	1 500
MONTPROJEKT, a.s.	Operating income from advisory	240
MSEM, a.s.	Operating income from advisory	1 800
PROFI EMG s.r.o.	Operating income from advisory	840
SEG s.r.o.	Operating income from advisory	1 800
SOR Libchavy spol. s r.o.	Operating income from advisory	1 395
VČE – montáže, a.s.	Operating income from advisory	1 800
BAULIGA a.s.	Dividend income	149 000
ED Holding a.s.	Dividend income	634 200
ELQA, s.r.o.	Dividend income	15 000
Herington Investments Limited	Dividend income	155 569
PIRAMEL ENTERPRISES LIMITED	Dividend income	1 629 220
TAHOBA INVESTMENTS LIMITED	Dividend income	42 431
SES BOHEMIA ENGINEERING, a.s.	Interest income - loans	90
TAHOBA INVESTMENTS LIMITED	Interest income - loans	257
EP INDUSTRIES HOLDING LIMITED	Interest income - loans	5 276
PIRAMEL ENTERPRISES LIMITED	Interest income - loans	35 986
Winning Automotive a.s.	Interest income - loans	910
Total		**2 690 348**

2019

(CZK '000)

Protistrana	Typ	Rok 2019
EGEM, a.s.	Provozní výnos z poradenství	2 040
Elektrizace železnic Praha a.s.	Provozní výnos z poradenství	2 520
Energetické opravny, a.s.	Provozní výnos z poradenství	480
MONTPROJEKT, a.s.	Provozní výnos z poradenství	240
MSEM, a.s.	Provozní výnos z poradenství	1 800
PROFI EMG s.r.o.	Provozní výnos z poradenství	840
SEG s.r.o.	Provozní výnos z poradenství	1 800
SOR Libchavy spol. s r.o.	Provozní výnos z poradenství	1 395
VČE – montáže, a.s.	Provozní výnos z poradenství	1 800
EP Investment Advisors, s.r.o.	Provozní výnos z poradenství	113
EP Power Europe, a.s.	Provozní výnos z poradenství	4 683
BAULIGA a.s.	Výnos z dividend	550 000
ED Holding a.s.	Výnos z dividend	545 660
ELQA, s.r.o.	Výnos z dividend	31 850
Herington Investments Limited	Výnos z dividend	460 944
TAHOBA INVESTMENTS LIMITED	Výnos z dividend	125 723
SES BOHEMIA ENGINEERING, a.s.	Výnosové úroky – úvěry	109
PI 1 a.s.	Výnosové úroky – úvěry	1 856
TAHOBA INVESTMENTS LIMITED	Výnosové úroky – úvěry	228
EP INDUSTRIES HOLDING LIMITED	Výnosové úroky – úvěry	8 178
PIRAMEL ENTERPRISES LIMITED	Výnosové úroky – úvěry	38 016
Celkem		**1 780 275**

14. Employees and Managers

As of 31 December 2020, the Company had 12 employees (2019: 8 employees).

Members of the Board of Directors, members of the Supervisory Board and persons with management authority were not provided with any benefits (advances, prepayments, borrowings and loans, etc.) in the years ended 31 December 2020 and 2019..

Notes to the Financial Statements (Separate)
EP industries, a.s.
Year Ended 31 December 2020
(CZK thousands)

15. Information on Fees Paid to Statutory Auditors

Information on fees paid to statutory auditors will be specified in the notes to the consolidated financial statements for the year ended 31 December 2020 where the Company is included.

16. Income Taxation

The reserve for the income tax on ordinary activities for the year ended 31 December 2020 amounted to CZK 12 741 thousand and the specification of the estimate of tax for 2019 amounted to CZK 1 432 thousand (2019: CZK 6 858 thousand together with the specification of the estimate of tax for 2018 amounting to CZK 3 107 thousand).

17. Off-Balance Sheet Payables and Receivables

EPI as the parent company provides guarantees to third parties on behalf of EPI holding subsidiaries up to CZK 218 907 thousand (2019: CZK 347 786 thousand).

18. Material Subsequent Events

The Company's management is not aware of any material subsequent events that should be disclosed in these financial statements.