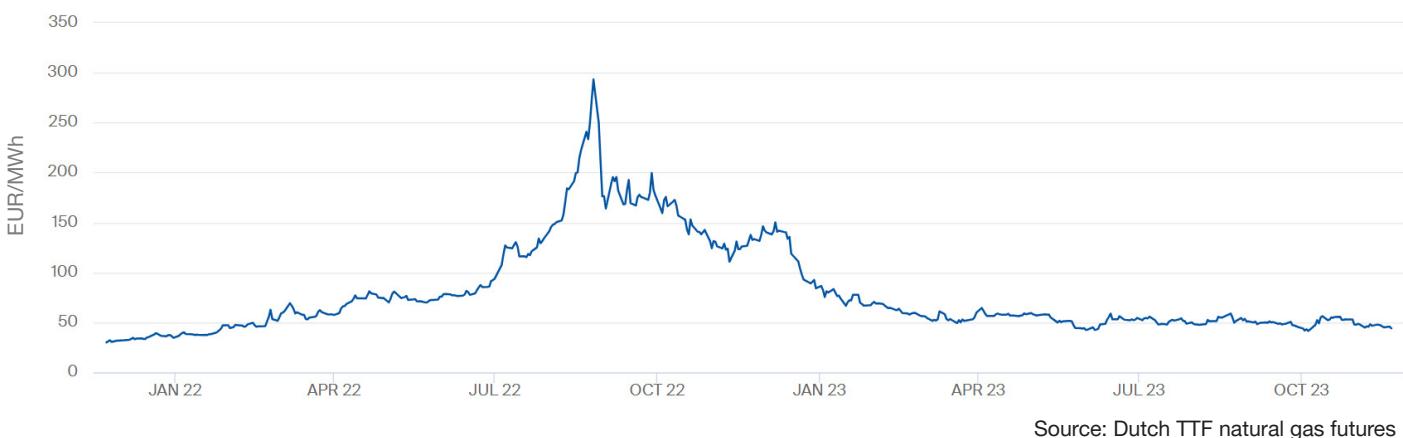


# Commodity risk

Due to the current turbulent macroeconomic environment there is a **high volatility in energy** (electricity, gas, steam, etc.) **and other commodity** (e.g. fuel, agriculture raw materials) prices. As a result companies might be exposed to the **risks of significant changes arising from such variable elements** which may result in unexpected increase in their expenses and the uncertainty of preparing their budgets. Historically this was generally born by wholesalers (e.g. energy sellers), who often had active risk management functions and hedging strategies to address it.

We also see such commodity risk to be transferred from wholesalers to companies, who are now facing the challenge to address this volatility.

## Natural gas wholesale market price



We provide our clients with analysis and suggestions on determining the appropriate risk management strategy, including identifying the risks to be managed, potential hedging instruments to manage properly the risks identified and defining the hedge ratio based on their risk management strategy defined by the management. Additionally, we support the clients in the full **implementation of hedge accounting** (both under IFRS and Hungarian accounting rules) which mirrors the economic hedges in the financial reports to make sure that the economic hedges are properly reflected in the financial statements.

### Our services may consist of providing assistance to:

- Identifying risks to be managed and providing best practices to mitigate those risks
- Determining the appropriate risk management strategy based on the risks identified
- Review (or drafting if needed) the Risk management strategy and risk management objective of the client and related policies
- Preparation of hedge documentation (including calculation of ineffectiveness)
- Preparation of the derivative and hedge accounting related sections of the accounting policy
- Providing illustrative example for the hedge accounting related disclosure requirements
- Supporting clients applying hedge accounting in practice



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