EPH 2023 **Annual Report**

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Infrastructure/ Generation/ Logistics

Energetický a průmyslový holding, a.s.

Consolidated and Single Report for the Year Ended 31 December 2023

Annual Report 2023

Content

General part

Financial and Operational Highlights of the Year

		2023	2022	2021 restated
INCOME STATEMENT				
Revenues	€ million	24,208	37,122	18,956
Gross profit[1]	€ million	7,044	7,484	4,360
Earnings before interest, taxes, depreciation and amortization (Underlying EBITDA)[2]	€ million	3,587	4,346	2,286
Earnings before interest and tax (EBIT)[3]	€ million	2,763	3,472	1,522
Net financial income (expense)	€ million	1,514	192	(56)
Profit before income tax	€ million	5,372	4,666	1,491
Profit for the year	€ million	4,715	3,791	1,227
BALANCE SHEET				
Total assets	€ million	28,873	30,452	25,189
Equity total	€ million	9,210	7,130	4,903
Net working capital[4]	€ million	2,072	2,745	2,530
Net financial debt[5]	€ million	4,828	4,910	4,611
CASH FLOW STATEMENT				
Cash flow from operating activities	€ million	3,620	3,715	1,944
Cash flow from investing activities	€ million	(1,332)	(2,619)	(1,106)
Cash flow from financing activities	€ million	(1,796)	(588)	(99)
Change in cash and cash equivalents	€ million	492	508	739
Cash and cash equivalents	€ million	3,502	3,010	2,497
Capital expenditures (CAPEX)[6]	€ million	857	752	441
Income tax paid	€ million	989	407	416
Free Cash flow (FCF)[7]	€ million	1,741	3,187	1,429

		2023	2022	2021 restated
RATIOS				
Net leverage[8]	×	1.3×	1.1×	2.0×
Cash conversion[9]	%	48.5%	73.3%	62.5%
Operating KPIs				
Average number of employees	#	10,967	10,420	10,564
Net installed capacity[10]	MW	13,911	11,821	11,131
Net power production	TWh	36.1	37.0	39.8
Emission intensity	t CO_2/GWh	520	570	493

1 Grofit profit represents Revenues less Purchases and consumables.
2 Underlying EBITDA has been prepared in accordance with the definition set out in the note 5 to the Consolidated financial statements.
3 EBIT =Profit (loss) from operations.
4 Net working capital = Trade receivables and other assets (non-current and current) + Inventories, extracted minerals and mineral products + Prepayments and other deferrals (current) – Trade payables and other liabilities (non-current and current).
5 Net financial debt = Loans and borrowings + Issued bills of exchange – Cash and cash equivalents.
6 Capital expenditure (CAPEX) represents additions to tangible and intangible assets plus advances paid for tangible and intangible assets less emission allowances, additions to right of use assets and goodwill.
7 Free Cash flow is defined as Underlying EBITDA less CAPEX less Income tax paid.
8 Net leverage = Net financial debt / Underlying EBITDA.
9 Cash conversion = (Underlying EBITDA – CAPEX – Income tax paid) / Underlying EBITDA.
10 2021 numbers exclude installed capacity of Deuben and Mehrum as both coal power plants were taken off the merchant market in December 2021. For 2022 and 2023 Mehrum is included as the plant was put back into operation at the request of the German government until March 2024.

» **We are shaping the future of a resilient, socially, and environmentally responsible energy market across Europe.**

Daniel Křetínský Chairman of the Board of Directors

EPH

Introduction by the Chairman of the Board of Directors

Dear Stakeholders,

I have the pleasure to introduce you to the consolidated annual report of the EPH Group for the fiscal year 2023 – the Group's 15th consolidated financial statements in a row.

Throughout its corporate history, EPH has remained steadfast in its commitment to excellence, reliability, and socially and environmentally responsible operation of essential energy infrastructure, actively promoting gradual transition to low and finally zero carbon society.

In the past year, we navigated dynamic market conditions, advanced our strategic initiatives, and continued to deliver value to our stakeholders while embracing the evolving demands of the energy industry. In this report, we provide a comprehensive overview of our performance, highlighting key accomplishments, milestones, and strategic endeavours that have propelled our business forward. From operational efficiency to reliability of supply, from financial resilience to large investments into new projects, we have endeavoured to uphold our core values and fulfil our mission of being a reliable and responsible supplier.

FINANCIAL PERFORMANCE

The consolidated EBITDA[1] of the Group reached EUR 3,587 million, which is EUR 759 million less than in the record year 2022, but EUR 1,301 million more than in the year 2021. The consolidated Free Cash Flow[2] amounted to EUR 1,741 million, again below the results of the exceptional year 2022 but EUR 312 million above the 2021 result. Compared to the approx. EUR 120 million EBITDA reported in the financial statements for 2010, the first full-year EPH financials after the Group's creation in 2009, this represents a growth of almost 2,900%, positioning EPH as by far the fastest growing large utility business in Europe. The total CAPEX spent by the Group equalled EUR 857 million, driven by new development projects focused mainly on the support of grid stability and reliable supply of power. As of year-end, the consolidated Net Leverage[3] was slightly above 1.3×, being one of the lowest among the Group's peers.

1 EBITDA has been prepared in accordance with the definition set out in the note 5 to the consolidated financial statements.
2 Defined as EBITDA less CAPEX less Income tax paid.
3 Defined as Net financial debt / EBITDA whereas Net financial debt represents Loans and borrowings plus Issued bills of exchange less Cash and cash equivalents.

Introduction by the Chairman of the Board of Directors

BUSINESS PERFORMANCE

Power Generation. With annual consolidated net power production of over 36 TWh, net installed capacity of 13.9 GW and high power plant availability, the Group substantially contributed to the security of supply across Europe with further increase in following year as result of planned completion of two our new power plants in Italy and Ireland. In line with our long-term strategy, we will continue to enhance our generation fleet and with the aim to increase security of supply in regions with market imbalances.

Gas Storage. This segment showed its crucial importance in the year 2022 through its contribution to the security of gas supply in CEE. This paramount role of gas storage remains unchanged and we believe it will play strategic role when balancing seasonal volatility and overcoming supply disruptions in the future, as well. Our storage capacity of over 64 TWh played strategic role in the turbulent market. Ongoing investments into automation and technology upgrades will help us optimise the storage processes even further.

Gas and Power Distribution. The gas distribution business, led by SPP Distribúcia, distributed almost 46 TWh of natural gas, which represents slight decrease compared to past year. The decline was driven by household and industry demand reduction and by mild weather conditions. Stredoslovenská distribučná, the Slovak electricity distribution company, distributed 6 TWh of electricity, representing small decline as compared to previous year. Despite the decrease in both distribution businesses, the segment continued to contribute reliably to the Group's overall performance due to its regulated nature and fixed tariffs.

Gas transmission. Eustream, the Slovak gas transmission system, transported 16 billion cubic metres of natural gas, which was 39% less year-on-year. Performance in 2023 was adversely impacted by one-off risk mitigating measures, leading to a decline in profitability. EBITDA declined to EUR 139 million, marking a 57% year-on-year drop. Following the completion of the Slovak-Polish interconnector in 2022, eustream's network is adaptable and can accommodate gas flows from various directions, including LNG from Poland. Furthermore, continued investments in hydrogen-ready network increases its long-term potential and resilience.

Heat Infra. Performance of the heat infra business declined as the power market conditions normalized over the course of the last year. The segment produced 1.5 TWh, 40% lower than in prior year, which was mainly driven by low spreads. Due to increasing cost pressures, we were compelled to adjust our heat offtake prices by approximately 24% on average in 2024. In the years to come, we plan to invest roughly EUR 0.6 billion (net of potential subsidies) in decarbonization of our heat sources and to phase out lignite in the Heat Infra segment by 2028/29.

NEW PROJECTS AND ACQUISITIONS

In January and May 2023, we acquired 4 new power plants and a supply business in the Netherlands, expanding our presence to yet another country and further diversifying our presence on energy markets and increasing net installed capacity of our fleet by 2.6 GW.

We continue to invest heavily into state-of-the-art power generation facilities. Investments made in 2023 exceed previous year by 15%. Two of our most important projects, CCGT power plant Tavazzano in Italy and OCGT power plant Kilroot in Northern Ireland with capacity of 800 MW and 700 MW, respectively, will be completed in 2024. Another project in Ostiglia with capacity of 880 MW is planned for commissioning in 2025. All those hydrogen-ready, highly efficient gas fired power plants are flexible in generation, and low in emissions. The expected CAPEX spent on all three projects upon their completion exceeds EUR 1.1 billion.

We are increasingly focusing on power storage. It is our strong conviction that this segment will play a pivotal role in the energy markets transition process. We are now considering nine projects across Italy, France, the Netherlands and United Kingdom with a total storage capacity of 625MW and budgeted CAPEX of more than EUR 700 million. The projects are at various stages of internal and external approval process, with the final investment decision expected to be taken this or next year.

ENVIRONMENTAL COMMITMENTS

The Group's ultimate mission stays unchanged – supporting energy transition in a socially sensible and responsible way, while keeping highest standards of reliability and security of supply.

To carry out this strategy and to facilitate the transformation of coal regions in the most dedicated and efficient way, EPH intends to separate energy transition assets from the EPH Group into EP Energy Transition, the holding company of a newly established sister group of EPH. First steps were taken during 2023 with the transfer of LEAG Group into the EP Energy Transition holding. Other assets, notably MIBRAG Energy Group, will follow suit. EP Energy Transition will focus on the development of renewable energy projects with estimated total installed capacity of 8 GW, replacement of existing network-critical power generation capacities by hydrogen-ready power plants and active cooperation with unions, regions, and governments to carry out the energy transition with minimum or no socially adverse impact. The expected total investment into these projects is currently estimated to be around EUR 10 billion.

Introduction by the Chairman of the Board of Directors

I believe that hydrogen, together with energy storage solutions, will be pivotal in shaping Europe's energy landscape in the near future. While the European legislative and regulatory framework still needs to be reshaped to find economically, socially and environmentally viable trajectory to the zero-carbon economy, our wide array of gas infrastructure assets, hydrogen-ready power generation and focus on electricity storage solutions position us naturally as one of the leaders on Europe's journey towards a new energy market model.

As every year, I would like to address a special THANK YOU to all our employees for their commitment and creativity, as well as to our partners, customers and other stakeholders for their ongoing support. Together, we are shaping the future of a resilient, socially and environmentally responsible energy market across Europe.

Sincerely,

Daniel Křetínský
Chairman of the Board
of Directors, CEO

EPH

Combined Review of Operations

1 Combined Review of Operations

1.1 Major events in 2023

ACQUISITIONS AND DISPOSALS

ACQUISITION OF PZEM, SLOE POWER PLANT AND RIJNMOND POWER PLANT

On 25 January 2023, EPH, via its subsidiary EP Netherlands, closed the acquisition of Sloe power plant with 870 MW installed capacity from ZEH N.V. and French electric utility company EDF S.A. In addition, on 5 January 2023, EP Netherlands acquired Rijnmond power plant with 810 MW installed capacity. Besides the power plant portfolio, EP Netherlands has also acquired PZEM Energy Company B.V. from ZEH N.V. which includes the ZBL pipeline (a 55 km gas pipeline supplying the Sloe Power Plant), trading business and B2B power and gas supply.

ACQUISITION OF MAASSTROOM POWER PLANT AND 50% STAKE IN ENECOGEN

On 23 May 2023, EP Netherlands, subsidiary of EPH, has successfully concluded an agreement with Castleton Commodities International LLC, securing the acquisition of two gas-fired power plants.

EP Netherlands has acquired full ownership of MaasStroom, a gas-fired power plant located in Rotterdam (Pernis) with an installed capacity of 426 MW. Additionally, EP NL has acquired a 50% stake in Enecogen, a gas-fired power plant situated in Rotterdam (Europoort) with an installed capacity of 910 MW. The remaining 50% stake in Enecogen will continue to be held by the Dutch energy company, Eneco N.V.

Strategic acquisitions on Dutch market during 2023 have enabled EP Netherlands to establish a portfolio comprising four highly efficient gas-fired power plants. With a cumulative capacity of 2.6 GW, EP NL now ranks as the third largest operator of power plants in the Netherlands.

ACQUISITION OF SGL-SCHIENEN GÜTER LOGISTIK GMBH

On 31 October 2023, EP Logistics International, a subsidiary of EPH, closed the acquisition of a 100% stake in the established German logistics company SGL-Schienen Güter Logistik GmbH, which will complement its portfolio of services in the field of rail freight transportation and construction logistics.

DIVESTMENT OF THE LEAG GROUP

On 27 December 2023, EPH has completed the divestment of its 50% stake in the LEAG group. The parent company of the LEAG group is now the newly established company EP Energy Transition, a.s., which, like EPH, is a subsidiary of the EP Corporate Group.

FINANCING

NEW LEVERAGE POLICY

In August 2023 in view of the strong financial results of EPH and its consolidated subsidiaries for 2022, based on the best market practice, and considering the interests of the Group's financial and trading counterparties, the Board of Directors of EPH has decided to adopt a new financial policy that aims at maintaining, until further notice, the consolidated adjusted proportionate economic net leverage of the Group at or below 2.5×.

EPH HAS BEEN ASSIGNED INVESTMENT GRADE RATINGS FROM TWO MAJOR RATING AGENCIES

In August 2023, EPH has been assigned with two investment grades, namely from S&P Global Ratings (BBB-) and Fitch Ratings (BBB-), both with a stable outlook.

EPIF'S CASH TENDER OFFER TO THE ELIGIBLE HOLDERS OF ITS SENIOR NOTES DUE 2024

In September 2023, EP Infrastructure, a.s. offered to the Eligible Holders of its EUR 750 million 1.659 per cent. notes due 2024 to tender their Notes for purchase by the Company for cash.

As a result, EUR 151,828,000 in principal amount of Notes had been validly tendered and accepted for purchase pursuant to the Offer.

SUCCESSFUL PLACING OF EUR 500 MILLION 5-YEAR BONDS

In November 2023, EPH, through its subsidiary EPH Financing International, a.s. issued EUR 500 million senior unsecured notes guaranteed by EPH with the coupon rate of 6.651 per cent. maturing in 2028, issued under its EUR 3 billion medium term note programme.

OTHER

DECOMMISSIONING OF COAL UNITS AT KILROOT POWER STATION

On 30 September 2023, the decommissioning of coal units at Kilroot Power Station, Northern Ireland, was completed, marking a significant milestone in the transition to cleaner energy in Northern Ireland.

SELECTED EVENTS THAT OCCURRED AFTER THE REPORTING DATE

EPIF SUCCESSFULLY ISSUED EUR 285 MILLION GREEN SCHULDSCHEIN

On 5 March 2024, EP Infrastructure, a.s. has raised EUR 285 million through Schuldschein loan agreements under German law issued in line with EPIF's green principles (so called "green Schuldschein"). Initially targeting a minimum volume of EUR 100 million, strong demand from the Schuldschein investor community led to an increase in the offering amount. The floating rate Schuldschein loan agreements have durations of three and five years, with corresponding margins of 2.50% p.a. and 2.90% p.a., respectively. COMMERZBANK AG acted as the arranger of the green Schuldschein.

EPIF will allocate the proceeds from the Schuldschein loan agreements in accordance with its Green Finance Framework established in August 2023.

On 15 March 2024, EPH declared and paid interim dividend of EUR 390 million to its shareholders (dividend declared per share was EUR 97.5).

The Group has ceased operations at three coal units as a part of its commitment to a sustainable future without coal. On 26 March 2024, the remaining two units of the Slovak coal-fired power plant Vojany (with an installed capacity of 2×110 MW) were shut down. Subsequently, on 28 March 2024, the closure of the German hard coal power plant Mehrum (690 MW) was finalized. Collectively, this marks a significant milestone in the Group's journey, with a total installed capacity of 910 MW being retired. The decommissioning of these coal power plants underscores the Group's commitment to transforming towards sustainable electricity production.

Except for the matters described above and elsewhere in the Annual Report or Notes to the Consolidated Financial Statements, the Company's management is not aware of any other material subsequent events that could have a significant effect on the Consolidated Financial Statements as at and for the year ended 31 December 2023.

1.2 Business performance

OPERATIONAL PERFORMANCE

PERFORMANCE OF INFRASTRUCTURE ASSETS

Majority of EPH critical energy infrastructure assets are bundled under umbrella of EPIF. These assets represent one of two key pillars of EPH business with stable financial performance and minimal carbon footprint.

Operational performance of infrastructure assets is driven namely by development of economic activity as well as weather conditions in Central Europe. Additionally, Gas Transmission is influenced by the gas market development in Europe nowadays driven mainly by the war in Ukraine. These factors influenced all segments of the infrastructure business.

The volume of transited gas was 16.1 bcm, representing a decrease of 39% (26.3 bcm in 2022).

In segment of Gas and Power Distribution, EPH Group distributed 45.5 TWh of gas representing a decrease of 6% (48.3 TWh in 2022) and 6.0 TWh of power representing a decrease of 5% (6.3 TWh in 2022).

The Group supplied 7.4 PJ of heat (7.9 PJ in 2022). Majority of supply volumes belong to our highly efficient CHP plants in the Czech Republic under EPIF Group, with minor supply volumes provided also by our German operations under EPPE Group. The decrease of 6% in 2023 is driven by mild weather conditions in Czech Republic.

KPI	Unit	2023	2022	2023 - 2022	%
Performance of EPH infrastructure assets					
Gas Transmission Flows	bcm	16.1	26.3	(10.2)	(39%)
Gas Storage Capacity	TWh	64.3	64.3	–	–%
Gas Distribution	TWh	45.5	48.3	(2.8)	(6%)
Power Distribution	TWh	6.0	6.3	(0.3)	(5%)
Heat Supply	PJ	7.4	7.9	(0.4)	(6%)

PERFORMANCE OF POWER GENERATION ASSETS

Power generation assets represent the second pillar of EPH operations providing diversification to its operations, with majority of these are bundled under EPPE Group. EPH Group consolidates 13.9 GW of net installed power capacity (11.8 GW in 2022). The capacities generated 36.1 TWh of power (37.0 TWh in 2022).

EPIF Group consolidates 1.0 GW of net installed power capacity (1.0 GW in 2022) represents highly efficient combined heat and power plants (CHP), with minor renewable wind, solar and biogas generation capacities. EPIF Group generated net power volume of 1.6 TWh of power (2.6 TWh in 2022).

EPPE Group consolidates 12.9 GW of net installed power capacity in Germany, the UK, Ireland, France, Italy and the Netherlands (10.8 GW in 2022). These assets generated 34.5 TWh of power (34.4 TWh in 2022). Lower generation across EPPE fleet driven by commodity prices softening was compensated by newly acquired EP NL assets.

KPI	Unit	2023	2022	2023 - 2022	%
Net installed capacity – Electricity – Total					
EPIF Group					
Czech Republic	MW	900	900	–	–%
Slovakia	MW	68	68	–	–%
Total – EPIF Group	**MW**	**968**	**968**	–	**–%**
EPPE Group					
France	MW	837	837	–	–%
Netherlands	MW	2,585	–	2,585	–%
Germany	MW	1,658	1,628	30	2%
UK	MW	3,489	4,014	(525)	(13%)
Ireland	MW	384	384	–	–%
Italy	MW	3,989	3,989	–	–%
Total – EPPE Group	**MW**	**12,943**	**10,853**	**2,091**	**19%**
Total – EPH Group	**MW**	**13,911**	**11,821**	**2,091**	**18%**

KPI	Unit	2023	2022	2023 - 2022	%
Net power production – Total					
EPIF Group					
Czech Republic	TWh	1.5	2.5	(1.0)	(39%)
Slovakia	TWh	0.0	0.0	0.0	2%
Total – EPIF Group	**TWh**	**1.6**	**2.6**	**(1.0)**	**(39%)**
EPPE Group					
France	TWh	0.8	1.5	(0.7)	(46%)
Netherlands[4]	TWh	7.4	–	7.4	–%
Germany	TWh	4.3	5.2	(0.9)	(17%)
UK	TWh	9.0	11.4	(2.4)	(21%)
Ireland	TWh	1.1	1.6	(0.5)	(32%)
Italy	TWh	12.0	14.7	(2.7)	(18%)
Total – EPPE Group	**TWh**	**34.5**	**34.4**	**0.1**	**0%**
Total – EPH Group	**TWh**	**36.1**	**37.0**	**(0.9)**	**(2%)**

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 4.9 GW of net installed power capacity (12.7 GW in 2022) and generated 20.9 TWh of power (63.2 TWh in 2022). Major share of this is represented by Slovenské elektrárne Group. The decrease in net installed power capacity and generated power is due to the divestment of the LEAG group during 2023.

SUSTAINABILITY PERFORMANCE

As a key energy player, EPH is aware of its role in the ongoing transformation of the energy system in Europe with the objective to limit the threat posed by climate changes. EPH fully supports the resolutions passed by the Paris Climate Conference in 2015, committing all the countries involved to limiting the global temperature increase to significantly less than 2 degrees Celsius compared with the pre-industrial level.

4 EP Netherlands power production pro-forma adjusted as if acquired on 1 January 2023.

To accomplish this strategy and to facilitate the transformation of coal regions in the most dedicated and efficient way, EPH separates energy transition assets from the EPH Group into EP Energy Transition group. This group will gradually consist of participations mainly in our German assets. LEAG group has already been separated during 2023 and MIBRAG Energy group will follow by the end of 2025. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 8 GW, replacement of existing network-critical power generation capacities by hydrogen-capable power plants and active cooperation with unions, regions, and governments to carry out the energy transition with minimum or no socially adverse impact.

In November 2023, EPH received an ESG Risk rating of 22.4 from Morningstar Sustainalytics. While this result represents a slight deterioration in the score from 21.3 received last year, it confirms EPH's position in the medium-risk category, securing EPH 25th place out of 104 companies in the multi-utilities sector.

Our decarbonization and energy transition plans and ongoing efforts are described below in the section *Emissions and environmental protection activities*.

EMISSIONS AND ENVIRONMENTAL PROTECTION ACTIVITIES

EPH Group produced 20.3 million tons of CO_2 emissions (22.8 million tons in 2022) with intensity of 520 ton CO_2/GWh (570 ton CO_2/GWh in 2022). GHG Emissions volume and intensity follow power and heat generation volumes as well as generation fuel mix. Emission intensity is calculated including heat component, as without these the performance of our highly efficient CHP plants would be distorted.

EPIF Group produced 2.2 million tons of CO_2 emissions (3.4 million tons in 2022) with intensity of 540 ton CO_2/GWh (646 ton CO_2/GWh in 2022).

EPPE Group produced 18 million tons of CO_2 emissions (19.4 million tons in 2022) with intensity of 518 ton CO_2/GWh (559 ton CO_2/GWh in 2022). The overall decrease in CO_2 emissions volume is primarily driven by lower production from hard coal and lignite (-24%), namely as a result of lower running of hard coal assets (Emile Huchet 6 and Mehrum) in 2023 which were put back into operation in 2022 at the behest of the German and French governments in order to ensure stability of the grid. In addition, lower production of the UK and Italy gas assets was caused by commodity prices softening in 2023. On the other hand, the decrease was offset by the acquisition of gas assets in the Netherlands in 2023.

KPI	Unit	2023	2022	2023 - 2022	%
Direct GHG Emissions (Scope 1)					
EPIF Group					
Czech Republic	million tons CO_2 eq.	2.1	3.3	(1.1)	(35%)
Slovakia	million tons CO_2 eq.	0.1	0.1	(0.0)	(27%)
Germany	million tons CO_2 eq.	0.0	0.0	0.0	14%
Total – EPIF Group	**million tons CO_2 eq.**	**2.2**	**3.4**	**(1.1)**	**(34%)**
EPPE Group					
France	million tons CO_2 eq.	0.4	1.0	(0.6)	(59%)
Netherlands	million tons CO_2 eq.	2.7	–	2.7	–%
Germany	million tons CO_2 eq.	4.8	5.7	(0.9)	(15%)
UK	million tons CO_2 eq.	3.8	4.9	(1.1)	(22%)
Ireland	million tons CO_2 eq.	0.5	0.7	(0.2)	(31%)
Italy	million tons CO_2 eq.	5.8	7.2	(1.4)	(19%)
Total – EPPE Group	**million tons CO_2 eq.**	**18.0**	**19.4**	**(1.4)**	**(7%)**
Total – EPH Group	**million tons CO_2 eq.**	**20.3**	**22.8**	**(2.5)**	**(11%)**

KPI	Unit	2023	2022	2023 - 2022	%
Emission intensity – Including heat component					
EPIF Group					
Czech Republic	ton CO_2 eq./GWh	544	649	(105)	(16%)
Slovakia	ton CO_2 eq./GWh	9	19	(10)	(52%)
Total – EPIF Group	**ton CO_2 eq./GWh**	**540**	**646**	**(105)**	**(16%)**
EPPE Group					
France	ton CO_2 eq./GWh	497	658	(161)	(24%)
Netherlands	ton CO_2 eq./GWh	368	–	368	–%
Germany	ton CO_2 eq./GWh	1,059	1,048	10	1%
UK	ton CO_2 eq./GWh	427	428	(2)	0%
Ireland	ton CO_2 eq./GWh	408	402	6	1%
Italy	ton CO_2 eq./GWh	484	487	(3)	(1%)
Total – EPPE Group	**ton CO_2 eq./GWh**	**518**	**559**	**(41)**	**(7%)**
Total – EPH Group	**ton CO_2 eq./GWh**	**520**	**570**	**(50)**	**(9%)**

Note: Calculation of Emission intensity indicators excludes emissions from non-energy producing operations, namely eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s. and Pozagas a.s. in Slovakia, SPP Storage, s.r.o. in the Czech Republic, NAFTA Speicher GmbH in Germany and Humbly Grove Energy Limited in the UK and in respective summary indicators, in the amount of 0.1 mil. ton CO_2 in 2023 (0.1 mil. ton CO_2 in 2022).

In 2023, the EPH Group continued to be very active in the area of environmental protection and decarbonization of its operations. The companies within the EPH Group continued to be operated in a manner ensuring their failure-free operation and high efficiency in producing electricity and heat, which has direct impact on the volume of produced emissions.

Several environmental regulations in Germany, France, Italy, the United Kingdom, and the European Union regulate the EPH Group activities. These include regulations governing the discharge and emission of pollutants, the handling of hazardous substances and their disposal, cleaning of contaminated sites and health and safety of employees. For example, EPH Group is subject to regulations that impose strict limits on emissions of carbon dioxide (CO_2), sulphur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and solid dust particles emissions (SDP).

The EPH Group will continue to maintain its compliance with these environmental legislative requirements and with the future requirements as well.

HEAT INFRASTRUCTURE DECARBONIZATION

EPIF operates heating plants including adjacent district heating networks at several locations in the Czech Republic. The heating plants represent a major contributor to the carbon footprint of the EPIF Group as they are still predominantly lignite-fired. Within this business segment, EPIF aims to implement its decarbonization roadmap and convert all assets away from lignite to a balanced mix of highly efficient gas-fired plants, biomass units and waste incinerator plants by 2030. The selected technologies will also be prepared for the combustion of hydrogen or other zero-emission gases once these are available on a commercial scale. The conversion projects are already in advanced preparatory phase with procurement process ongoing. The projects are eligible for investment subsidies from the Modernization Fund which has a dedicated programme HEAT aimed at transformation of district heating systems, including change in the fuel base. For several projects, subsidy applications have been already approved.

Elektrárny Opatovice, a.s. has performed several major investments to increase its production efficiency, reducing its carbon footprint. Following replacement of the main cogeneration turbine (TG5) in 2020, another turbine (TG3) replacement was performed in 2023. The turbine upgrades significantly improve production efficiency and will be compatible with the new gas-fired technologies.

United Energy, a.s. has not been reliant solely on lignite but diversified its fuel mix to biomass. Following the refurbishment of a former lignite boiler K6 for 100% biomass combustion in 2021, UE has consistently sourced sustainable biomass which is currently certified with schemes recognized by the EU Commission. UE also continued with preparatory works to replace remaining lignite units already around 2026.

At Plzeňská teplárenská, share of biomass in the fuel mix increased after a boiler co-combusting lignite with biomass was refurbished in 2021, raising the share of biomass

in the boiler to 80% with potential to increase to 100% in the future. This complemented a dedicated biomass unit and waste incinerator plant. The remaining lignite units operated by PLTEP are expected to be replaced with hydrogen ready gas-fired units.

GAS INFRASTRUCTURE – ENERGY TRANSITION PLANS

Owing to its critical gas midstream and downstream infrastructure, the Group is uniquely positioned to be a front-runner in the accommodation of hydrogen across its entire gas value chain with several projects launched to assess readiness for large-scale transmission, storage, and distribution of hydrogen.

The Slovak gas transmission system operator eustream prepares its network for transporting renewable and low-carbon gases. In accordance with the EU Regulation on renewable and natural gases, including hydrogen, all gas transmission system operators will be required to accept gas flows with a hydrogen content of up to 2% by volume at interconnection points between Union Member States in the natural gas system. The necessary adjustments are primarily expected to involve the replacement of metering equipment and other components of the network. Given that eustream operates 4–5 parallel pipelines, it is well positioned to dedicate one pipe to hydrogen, while accommodating the natural gas flows in the transitional period. This project called “H2 Infrastructure – Transmission Repurpose (H2I-TR)” was assigned a status of the Important Project of Common European Interest (‘IPCEI’) and shall be eligible for a portion of the total funding allocated to projects supporting hydrogen infrastructure in Europe. Eustream is a member of the alliances focused on Europe-wide hydrogen adoption such as European Hydrogen Backbone or Clean Hydrogen Alliance, or Central European Hydrogen Corridor (CEGH) initiative which aims to connect areas with potentially abundant hydrogen supply sources in Ukraine with large demand areas in Germany. Eustream also joined the international industry partnership for the production and supply of green hydrogen “H2EU+Store”, which is focused on the entire supply chain from hydrogen production to its transit and storage.

As eustream and other gas transmission operators in Europe take actions to accommodate hydrogen in their pipelines, it is essential for downstream network operators to assess and adapt their infrastructure as well. SPP – distribúcia, a.s. successfully completed a pilot project in 2022 where it blended 10% of hydrogen into the gas distribution network in a small village in Slovakia and tested interaction of the networks as well as appliances at households and commercial customers (boilers, cookers). The network of SPPD is relatively modern and a high share of polyethylene pipes (57% of local networks) with superior permeability characteristics makes the network ideally positioned to accommodate pure hydrogen in the future.

NAFTA seeks to identify both an appropriate location for storing hydrogen mixed with natural gas and the maximum possible concentration that could be stored in a porous geological structure. For this purpose, Nafta launched the project Henri which was approved as one of the first Important Projects of Common European Interest (IPCEI) in the hydrogen area. Nafta will be supported in its efforts to identify appropriate locations for storing hydrogen mixed with natural gas. The first phase of the project shall involve experts seeking an appropriate location for storing hydrogen mixed with natural gas. Having identified an appropriate underground geological structure, laboratory research will be carried out to define the maximum permitted concentration of hydrogen. A broad spectrum of parameters would be researched, such as possible geochemical and microbial reactions and changes in the rocks. The second phase of the project involves constructing a pilot test of the technology to generate hydrogen through water electrolysis. The hydrogen would then be mixed with natural gas at concentrations defined in the first phase of the project and the mixture stored in underground facilities. The objective is not one-cycle testing, but rather to test multi-cycle production and injection to obtain comprehensive data about the impact and behavior of hydrogen stored underground.

ENVIRONMENTAL PROTECTION ACROSS THE EPH GROUP

The EPH Group aims for a sustainable development in a comprehensive sense focusing on the continuous reduction of carbon footprint while providing for a security of supply and minimising impact on energy prices. Also, one of the principal objectives is to provide for an efficient transformation of energy resources while maintaining or creating jobs and supporting local economies. The following section summarizes several selected actions taken or planned to be taken by EPH subsidiaries in this important area.

At NAFTA Group, environmental and climate protection is one of the highest priorities. NAFTA takes a responsible approach toward shutting down centres and wells through clean-ups, technical or biological reclamation of the land and either reincorporating it into the surrounding wilderness or returning it to agricultural use. NAFTA has already focused on its methane leakage and already belongs to a number of international working groups aimed at reducing methane emissions. NAFTA set specific emission reduction targets and adopted a robust Leak Detection and Repair (LDAR) programme to reduce methane leakage.

Eustream's business is inextricably linked to environmental protection and sustainability. Eustream continually invests in the streamlining of operations and state-of-the-art technology to protect the environment. The developed gas infrastructure has an irreplaceable role in the future transformation to a low-carbon economy. At the end of 2022, eustream, a.s. further cemented its role of an important crossroads serving gas flows in various directions after it completed the development of the Polish-Slovakian Gas Interconnection. Eustream continuous focus on the quality of its facilities to ensure compliance with ever stricter air protection legislation, including Commission Implementing Decision (EU) 2017/1442, which, pursuant to Directive 2010/75/ EU of the European Parliament and of the Council, establishes best available techniques (BAT) conclusions for large combustion facilities. Eustream makes every effort to actively prevent the release of methane emissions by detailed monitoring, timely corrective maintenance, and thorough pumping of natural gas during pipeline maintenance. Eustream is a member of the global Oil & Gas Methane Partnership 2.0 (OGMP).

Due to its lengthy network and significant potential for fugitive methane emissions, SPPD has concentrated its efforts on adopting robust techniques to identify and reduce the methane leakages. SPPD has increased frequency of controls of the older steel pipelines,

while it continues a gradual replacement of steel pipes with non-permeable pipes made from polyethylene. In 2022, SPPD connected the first biomethane station to the network which, after further expansion in 2023, injects ca 180 MWh of biomethane every day. The composition of biomethane is almost identical to natural gas, but unlike fossil methane, biomethane is produced from local renewable materials such as poultry or livestock manure and various biodegradable waste. In the short term, SPPD will be able to connect approximately 34 biogas stations to its high-pressure network after their conversion to biomethane production. However, the total potential for biomethane production from biodegradable municipal waste, kitchen and restaurant waste and livestock manure, according to the latest Integrated National Energy and Climate Plan of the Slovak Republic, can reach up to 400 million m3 of biomethane.

EPIF heating plants in the Czech Republic complied with the conditions set in integrated permits of individual company premises throughout the year. All production facilities operate in a highly efficient combined cogeneration mode, whereby the otherwise wasted by-product of power generation, heat, is funneled into a heating distribution network, thus capturing otherwise wasted energy, and delivered in the form of heat to our customers. This generation mode has much lower CO_2 emission intensity than a separate production of electric energy and heat.

The companies of the EPIF Group have a municipal waste collection system established. Recycling, reuse of material, composting are preferred over landfilling, which greatly contributes to reducing the production of waste. Plzeňská teplárenská, a.s. operates a waste-to-energy facility ZEVO Plzeň, ecological source that can use a wide range of waste and convert it into energy. Heat energy obtained during the combustion process is subsequently used to supply heat to the territory of Pilsen city and to produce electrical energy.

Most of the core companies within the EPIF Group have their environmental management systems certified to ISO 14001. These include Plzeňská teplárenská, a.s., Elektrárny Opatovice, EOP Distribuce, a.s., eustream, a.s., SPP – distribúcia, a.s., Stredoslovenská distribučná, a.s., Stredoslovenská energetika, a.s., NAFTA a.s. and POZAGAS a.s.

Our services are not limited to the supply of and distribution of basic energy commodities, but we also aim to educate our customers on energy savings and responsible behaviour with respect to energy. These efforts are manly visible at Stredoslovenská energetika, a.s., which offers services aimed at energy savings, such as LED lighting, highly efficient heating, heat pumps or solar panel installations. This is accompanied by an educational project for children in kindergartens and elementary schools, teaching them energy-saving practices through brochures, educational videos, and games. At Elektrárny Opatovice, a.s. and Plzeňská teplárenská, a.s., customers are regularly informed about optimal temperature and efficiency.

The EPPE Group is an environmentally and socially responsible operator of its power plants. This is a result of an expansion of its fleet comprising renewable or non-coal sources and a gradual decommissioning of coal-fired power plants (e.g. Eggborough, Buschhaus, Provence 5 and Deuben) or their conversion into non-coal sources like was the case of coal-fired power plant Lynemouth which was converted into biomass-fired power plant in 2019.

During 2023 we continued in our investments into three hydrogen-capable gas-fired development projects under construction. Firstly, two highly-efficient Kilroot OCGT units (700 MW combined) in Northern Ireland, which will ensure a continuous transition towards lower carbon generation as well as protecting security and stability of supply for Northern Ireland, scheduled to stand-by as a capacity reserve to support the development of zero-emission power generation. It is envisaged that units will also be capable of using gas alternatives such as biogas and hydrogen as they become available to the market. Units should be commissioned in 2024. Secondly, the Tavazzano CCGT and Ostiglia CCGT projects located in Italy with planned installed capacity of 803 MW and 881 MW, respectively, are expected to be commissioned in 2024 and 2025, respectively. These highly-efficient gas-fired power plants will play an essential part in the system that ensures stability of the grid in Italy.

Thorough 2023, the EPPE Group further invested also into modernization of its fleet which contributed to environmentally and socially responsible way of decarbonization, while keeping in mind security of energy supply in the regions where the EPPE Group operates. As a result, the EPPE Group saves energy, avoids network losses, and improves the security of Europe's internal energy supply while remaining environmentally and socially cautious.

A good example of a project increasing efficiency on one side and reducing emissions on the other side is adoption of a state-of-the-art technology, a Siemens Advanced Turbine Efficiency Upgrade ("ATEP") by some of our gas plants in Netherlands, acquired in 2023. Sloe Centrale signed a contract in 2023 for the implementation and once implemented, the ATEP-investment will position the plant as one of the most efficient gas-fired power plants in the region. The upgrade will contribute to lower fuel consumption and annual reduction of 30,000 tonnes of CO_2. The Enecogen power plant (50% owned by EPNL) has finished the same upgrade at their site in August 2023.

In France dismantling continues. During 2023, three cooling towers were demolished (one in Lucy and two in Emile Huchet sites), the same amounts of stacks were dismantled at these sites. Another cooling tower in Emile Huchet was blasted in early February 2024. All the concrete resulting from demolition was recycled. Similarly, a project of the wind park repowering on two sites of Ambon and Muzillac goes well. Foundations were crushed, and the material used for road basements. Blades of former wind turbines were dismantled so that they can be reused as spare parts or as RDF (refuse derived fuel; since the resin used with the fiberglass has some calorific value). Metallic parts are 100% recycled. The repowering itself represents an investment of EUR 35 million and will be finished in 2024, adding some 26 MW of installed capacity.

In Italy during 2023, in light of the ongoing decline in market power prices and challenges regarding biomass supplies, a "flexible approach" to plant running, which is very difficult to apply for biomass plants, was defined and adopted in Biomasse Italia and Biomasse Crotone as an operating strategy with the goals of:

- minimizing the impact of any extremely low power prices (which makes the running out of money) and increasing margin through increasing load up to max level should market price keep covering properly the underlying cost structure;

- optimizing the consumption of biomass, so trying to burn it with the highest marginality and save it whereas it showed negative or next to zero.

EPNL is expanding its other activities by taking over the Balancing Services Agreement and the Power Off-take Agreement with the Gemini Wind Park. This means that EPNL is the buyer of the renewable energy generated by Gemini and that EPNL is responsible for balancing the park's production. The Gemini Wind Park, located in the Dutch North Sea, is one of the world's largest wind parks and is a crucial element in the renewable energy infrastructure.

Contrary to the new projects we were required to operate also two hard coal power plants set for decommissioning before:

- The French Emile Huchet 6 was asked to operate again after previous decommissioning decision to ensure grid stability in connection with European energy crisis in 2022. The French Government asked Gazel Energie to prepare the restart of Emile Huchet 6, by re-hiring employees, performing maintenance works and securing coal supply. The restart of Emile Huchet 6 was included by the Government in the Buying Power Law during the summer 2022 and the decree was published on the 15 September 2022. The decree contained the possibility for EH6 to run 3,000 hours during the winter 2022/2023 and 1,500 hours during the 2023/2024 winter. It also includes the obligation for Gazel Energie to offset CO_2 emissions through the voluntary carbon market, in addition to ETS obligations. Current French situation requires prolongation of EH6 operation up to March 2025, this is currently discussed. However, the aim is to innovate the fuel mix to make it more sustainable (pellets co-burning).

- Similar situation occurred in Germany with Mehrum power plant. This grid reserve power plant must temporarily participate in the electricity market until the end of March 2024. At Kraftwerk Mehrum, management and staff succeeded in mastering the very special challenges connected to the power plant restart. However, due to its specific location where a grid stability is a significant topic there is a plan to build a gas-fired plant on this site to replace the current role of the hard coal power plant. Also this project shall be hydrogen-capable.

In Germany, EP New Energies (EPNE), the EPH group owned renewables developer, continued to work on several photovoltaic and wind projects in Germany (approximately 8 GW in the pipeline).

MIBRAG, which is active in Germany, is also undergoing gradual transformation which is described below in several ongoing projects.

MIBRAG is active in establishing photovoltaic (PV) and wind projects mostly in areas that either already have been reclaimed or are currently under reclamation. MIBRAG built a PV power plant with a capacity of ca. 30 MWp on a reclaimed area of United Schleenhain mine. The construction work started in October 2022 and was finished in Q3 2023. The next PV power plant with a capacity of ca. 43 MWp will be built next to the 30 MWp project. It is planned to finish the installation in the second half of 2024. The electricity generated by both PV plants is used for own consumption. There is a range of other renewable projects in the pipeline prepared in cooperation with EPNE, some of them with the construction start scheduled in 2024.

MIBRAG is also preparing to participate in the tender for the construction of H_2 hybrid power plants at the Profen and Buschhaus sites based on PV power plants / wind turbines currently under construction or planned and the to-be-planned electrolysis plants each including a hydrogen storage and reconversion unit. Besides that, there is a number of projects connected to green district heating. Conversion of heat supply in the supply area of Fernwärme GmbH Hohenmölsen-Webau to a CO_2-free basis represents a key element in MIBRAG's transformation process from a lignite mining company to an energy service provider based on sustainable use of renewable energies. This is connected to the earlier launched and finished project to run a 32-meter-long wood dryer. The wood chips shall be co-burnt at Wählitz power plant to substitute part of the burned lignite.

Moreover, in 2023, MIBRAG planted over 162,500 trees. These were spread over approximately 87 hectares. The tree planting is always complemented by a variety of supporting shrub species, which help to structure forest and plantation edges and provide additional biodiversity. To facilitate the growth of deep root systems and increase the trees' long-term vitality, the seedlings are only watered in exceptional cases. In the first years after planting, measures are taken to keep the trees free of competition from grasses and protect them against damage by deer. Care measures for the trees are caried out for at least 15 years, at which point they are integrated into the general forest management activities.

Gazel Energie Group in France and EP UK Investments Group in the UK further evolved their business with secondary products (ashes). The various potential applications of ashes will have different GHG emission savings associated with them. Additionally, EP Power Minerals, a European leader in the provision of power plant by-products (especially fly ash and FGD gypsum) and expendable blasting abrasives, helps its clients to reduce carbon footprint. In particular, fly ash serves as a highly ecological and cost-effective substitute for clinker in cement production (up to 30 %). Fly ash significantly reduces the CO_2 footprint as the production of 1 metric ton of clinker generates about 0.8 metric tons of CO_2. Moreover, EP Power Grit group specializes in abrasives and industrial minerals based on slags, minerals, glass and other raw materials. With extensive expertise this group help customers in achieving perfect surface properties and preparing surfaces effectively.

Water quantity available and quality is also under constant attention in all EPH's assets. For example, namely in Italy we faced risks connected to water scarcity as some of our plants rely on water cooling. With this regard, EP Produzione started to study the implementation of hybrid cooling water for its units in Tavazzano. This equipment will reduce the dependence on water during the period of scarcity. Another feasibility study refers to the Ostiglia power plant in which the cooling water for the old units is taken from Po river. However, currently, its level does not allow water withdrawal. To overcome this issue, the engineers are studying a pumping system that locally raises the water height until the required level of the cooling system. The Ostiglia New H-class unit is instead equipped with an air-cooling condenser that drastically reduces the dependence on water availability. MIBRAG is aware of its great responsibility to keep negative ecological and hydrological impacts to a possible minimum and has been able to decrease overall water consumption by 7 million cubic meters to a total of 75 million cubic meters since last year. Regarding the water quality, Livorno Ferraris power station (Italy) is improving the biological waste-water treatment plant. In France, water treatment plant in Emile

Huchet is assessed and the aim is reduction of the industrial water chemical content and at reuse water quantities in the process in a way that the water external demand is reduced.

In EPH's logistics division, we achieved savings in production of GHG emissions as well as energy by further switching freight transport from motorways to railways at several projects.

Another interesting project shows that a lot can already be won by making our colleagues aware of how they can play an important role in becoming more sustainable. Sloe Centrale started the private lease project for electric cars in 2018. Sloe Centrale and EPH wants to reduce their ecological footprint. To do so, we seek smart solutions in order to reduce our gas usage and CO_2 emissions. As Sloe Centrale is located in a somewhat remote area with no public transportation, most people use a car to go to work and one employee suggested to promote the use of electric cars. With the project every employee has the option to privately lease an electric car at relatively low costs. In February 2024, 16 new full electric cars (with EPNL logo) was delivered. So, 33% of our staff drives emission-free, not only to work but also for private kilometres.

We also remain active to promote safety at our sites. For example, the "7 Traps" is EP Produzione's safety campaign started already in 2016 that, by describing seven potentially dangerous situations that can occur in the workplace, aims to emphasize the need to maintain a high level of attention and control at all times and achieve maximum employee and contractor involvement.

Besides safety there is a range of projects connected to employees, from recruiting, through talent retention to their skills development realised across whole Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Throughout 2023, EPH continued to focus on its performance in the environmental, social and governance matters, acknowledging its responsibility for the environment, employees, communities, and all other stakeholders. Apart from other things, in November 2023 EPH has received an ESG Risk Rating of 22.4 from Morningstar Sustainalytics, a leading provider of environmental, social and governance research, ratings and data assessing companies' resilience to environmental, social and governance risks. While this result represents a slight deterioration in the score from 21.3 received last year (the lower score, the better), it confirms EPH's position in the medium-risk category, securing EPH 25th place out of 104 companies in the multi-utilities sector. Also, in October 2023, EPIF has received an ESG Risk Rating of 19.8 from Morningstar Sustainalytics and retained its position in the low-risk category and secured 12th place out of 104 companies in the multi-utilities sector. EPIF has also been subject to ESG evaluation from S&P Global Ratings with the latest score of 63/100 received in November 2022. The ESG evaluation product of S&P Global Ratings has been discontinued, and this rating will no longer be updated.

Operating some of key infrastructure and power generation assets in Europe, EPH remains committed to contributing to energy security in the regions where it operates by providing reliable supplies of key commodities to end consumers. Safeguarding stable supplies of natural gas also plays a vital role in the energy transition in Europe as EPH views natural gas as a potential low-emission bridging fuel for base load power generation to complement intermittent renewable generation sources.

ESG POLICIES

ESG policies are implemented across the EPH Group entities. These policies reflect our consciousness of immense responsibility for ESG issues by the whole EPH Group. The policies aligned the already existing local principles with a common and comprehensive set of unified principles and detailed guidelines for our daily activities.

These policies are:

- ESG Master Policy
- Environmental Policy
- Operational Policy
- Code of Conduct
- Procurement Policy
- Tax Governance Policy
- Anti-Corruption and Anti-Bribery Policy
- Anti-Financial Crime Policy
- Sanctions Policy
- Anti-Trust Law Policy
- KYC Directive
- Bio-Diversity Policy
- Policy on Reporting of Serious Concerns
- Asset Integrity Policy
- Equality, Diversity, and Inclusion Policy
- Cybersecurity Principles

To provide for and secure full transparency EPH and its key subsidiaries published the policies on their webs, so these are easily accessible to all stakeholders.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE (“HSE COMMITTEE”)

Both key EPH pillars, i.e. EPIF and EPPE, have dedicated HSE Committees in place which are tasked with the following activities:

a) Provide the Board of Directors with a view on the adequacy and effectiveness of the Group safety, health, environment and security management systems and their application;

b) Review and provide guidance on safety, health, environment and security strategies, policies and initiatives of the Group;

c) Make recommendations to the Board of Directors and refer key safety, health, environment and security decisions to the Board of Directors for approval;

d) Monitor the safety, health, environment and security performance (including contractors) against regulatory standards and targets set by the Board of Directors;

e) Review all major incidents, focusing particularly on those arising from operational issues.

The HSE Committees represent key bodies safeguarding that the EPPE and EPIF Groups act in line with the adopted ESG policies.

EMPLOYMENT RELATIONS AND EMPLOYEES

The main strengths and key focus of the EPH Group is good relationship with employees and their loyalty. The Group maintain good and fair relations with the trade unions within the entities of Group through regular meetings and discussions on labour, social and wage related issues. Similarly, respecting the human rights and implemented non-discriminatory guidelines are viewed as essential for securing employee-friendly working environment across the Group. Safety and quality management covers health protection at work, safety management system, technology, and human resources all of which are an integral part of the management of the Group.

EPH Group upholds internationally recognised principles of good labour practice as well as all principles of the United Nations Global Compact in respect of Human rights, labour, environment and anticorruption and encourages its business partners to endorse the same commitment as specified in detail in EPH Group Procurement policy.

The management believes that the Group, its companies and equipment comply with all legislative requirements and best practice methods. Moreover, they are constantly striving to improve the safety level of the Group’s activities by introducing measures focused on risk assessment, elimination, mitigation, and prevention. The Group also provides general training programs on employee safety and when selecting or assessing potential suppliers, the Group also considers their approach and attitude towards security issues.

EPH employees are interested in overall EPH economic performance. As internal stakeholders, they are engaged in business issues at the local level, being especially interested in the performance of the subsidiary they work for.

An average number of employees in EPH Group during 2023 was 10,967 (10,420 in 2022). Male employees covered for 80% of EPH employees, similar share compared with 2022 (80%).

An average number of employees in EPIF Group during 2023 was 5,781 (5,837 in 2022) and an average number of employees in EPPE Group during 2023 was 4,365 (3,857 in 2022).

KPI	Unit	2023	2022	2023 - 2022	%
Headcount					
EPIF Group					
Czech Republic	#	1,485	1,461	24	2%
Slovakia	#	4,232	4,311	(80)	(2%)
Germany	#	62	62	–	–%
Netherlands	#	2	2	–	–%
Total – EPIF Group	**#**	**5,781**	**5,837**	**(56)**	**(1%)**
EPPE Group					
Czech Republic	#	185	130	55	43%
Netherlands	#	258	–	258	–%
France	#	426	394	32	8%
Germany	#	2,260	2,167	94	4%
UK	#	583	554	29	5%
Ireland	#	4	7	(3)	(43%)
Italy	#	604	590	14	2%
Poland	#	6	–	6	–%
Switzerland	#	39	16	23	144%
Total – EPPE Group	**#**	**4,365**	**3,857**	**508**	**13%**
EPH Other					
Czech Republic	#	511	512	(1)	(0%)
Poland	#	41	39	2	6%
Slovakia	#	18	17	1	6%
Germany	#	251	159	92	58%
Total – EPH Other	**#**	**821**	**726**	**95**	**13%**
Total – EPH Group	**#**	**10,967**	**10,420**	**547**	**5%**

CORRUPTION AND BREACHES

EPH maintains consistently high standards in ethics throughout its operations and supply chain and does not tolerate corruption at any level. Any breaches of this could result in major and serious reputational damage to the Group. In line with EPH Group KYC Directive compliance requirements are factored into all decisions when entering business relations with suppliers or business partners. While these principles were adhered to in the past, their importance is increasing in today's environment and as such, EPH has decided to formalise those into an overall policy applicable across the EPH, including all subsidiaries.

EPH always strives to operate all its facilities safely and in compliance with licensing regulations. The compliance with such systems is ensured with regular on-site checks. In addition, the Company regularly undertake analyses and evaluations of environmental issues to assess their relevance for its companies. The focus of our internal compliance management is to raise the level of awareness among its employees to prevent any possible breaches.

INTERNAL CONTROL SYSTEM

The Group has taken reasonable steps to establish and maintain adequate procedures, systems, and controls to enable it to comply with its legal, regulatory, and contractual obligations, including regarding financial reporting, which it periodically evaluates.
To provide employees with the unified means of reporting compliance concerns and compliance violations without fear of retaliation or retribution and to set out the way in which any serious concerns that they have may be raised and how these concerns are dealt with, the EPH adopted a Policy on Reporting of Serious Concerns. Similarly, also all our business partners are encouraged to raise concerns about any issue relating to EPH or suspicion of violation of the EPH Group Policies at the earliest possible stage.

The Group does not have integrated information systems and each subsidiary has its own accounting platform and accounting methodologies. The subsidiaries prepare separate financial statements under the applicable local accounting standards for statutory purposes and part of the IFRS financial statements consolidation process is manual. In 2022, the Group largely implemented a Group-wide reporting system aimed at limiting the amount of required manual intervention.

Each subsidiary has its own system of internal controls that is designed to manage risk and diminish the occurrence of fraud at each entity based on the subsidiary's size and nature of its business.

FINANCIAL PERFORMANCE

EPH achieved strong financial results in the year under the review. This positive development was driven by the EPPE Group. Results reflect positive market development on the revenue side as well as cautious approach towards expenses and risks.

REVENUES

Total revenues amounted to EUR 24,208 million (EUR 37,122 million in 2022).

External Revenues of EPIF Group reached EUR 4,105 million (EUR 3,706 million in 2022). Substantial part of the revenues is dependent on already pre-booked capacities, such as ship-or-pay contracts for the Gas Transmission Business, store-or-pay contracts for the Gas Storage Business, fixed tariff components for the Gas and Power Distribution Business and fixed heat price component for the Heat Infra Business.

External Revenues of EPPE Group reached EUR 19,936 million (EUR 33,252 million in 2022). The decrease is attributable primarily to Flexible power generation segment which decreased by EUR 12,938 million, or 41%, mostly as an effect of a significant decrease in commodity prices over 2023 and as a result, the most significant effect was recorded by trading and supply companies but also by production entities in Italy, France, Germany and the UK. This was partially offset by newly acquired Dutch operations. Renewable Energy segment decreased by EUR 345 million, or 33%, primarily due to lower power prices affecting the UK and Italian biomass power plants.

External Revenues	Unit	2023	2022	2023 - 2022	%
EPIF Group					
Gas Transmission	million EUR	260	182	78	43%
Gas and Power Distribution	million EUR	3,141	2,808	333	12%
Gas Storage	million EUR	403	402	1	0%
Heat Infra	million EUR	293	305	(12)	(4%)
EPIF Other	million EUR	8	9	(1)	(11%)
Total EPIF Group	**million EUR**	**4,105**	**3,706**	**399**	**11%**
EPPE Group					
Flexible Power Generation	million EUR	18,985	31,923	(12,938)	(41%)
Renewable Energy	million EUR	706	1,051	(345)	(33%)
EPPE Other	million EUR	245	278	(33)	(12%)
Total EPPE Group	**million EUR**	**19,936**	**33,252**	**(13,316)**	**(40%)**
EPH Other	**million EUR**	**162**	**149**	**13**	**9%**
Holding Entities	million EUR	5	15	(10)	(67%)
Total EPH Group	**million EUR**	**24,208**	**37,122**	**(12,914)**	**(35%)**

UNDERLYING EBITDA

Underlying EBITDA of EPH Group reached EUR 3,587 million (EUR 4,346 million in 2022). The presented Underlying EBITDA[5] is defined as profit from operations plus depreciation, amortisation and impairment charges and is further netted for eventual impact of negative goodwill. Apart from this, the Underlying EBITDA calculation does not include any further adjustments.

Underlying EBITDA of the EPIF Group amounted to EUR 1,225 million (EUR 1,444 million in 2022). The 15% decrease in Underlying EBITDA is largely attributable to Gas transmission which decreased by EUR 185 million, or 57%, due to decreased volumes of transmitted gas, further exacerbated by one-off risk mitigating measures, and Heat infrastructure business decreased by EUR 74 million, or 37%, as a result of decline in heat off-takes, reduced power spreads and consequential decrease in ancillary services. Gas and Power Distribution segment experienced 11% rise primarily on the back of substantially improved Slovak supply business, while Gas Storage segment cemented its steadfast position with only minor 4% decrease.

Underlying EBITDA of the EPPE Group reached EUR 2,379 million (EUR 2,904 million in 2022). Flexible Power Generation segment decreased by EUR 351 million, or 14%, with decrease in commodity prices driven primarily by an exceptional result of trading business in 2022 driven by high commodity prices in all European countries caused by market environment, and returning back to more standardized levels in 2023. In addition, commodity prices were decreasing over 2023. This was partly mitigated by hedges placed for 2023 and by the newly acquired Dutch operations. Renewable Energy segment decreased by EUR 94 million, or 25%, which relates mostly to Italian fleet of biomass power plants due to a drop in power prices. EPPE Other segment decreased by EUR 80 million, or 88%, which relates also to a drop in power prices resulting in lower lignite exploitation.

5 For reconciliation of Underlying EBITDA to closest IFRS measure refer to Note 5 of EPH's IFRS consolidated financial statements for 2023.

Underlying EBITDA	Unit	2023	2022	2023 - 2022	%
EPIF Group					
Gas Transmission	million EUR	139	324	(185)	(57%)
Gas and Power Distribution	million EUR	596	539	57	11%
Gas Storage	million EUR	364	378	(14)	(4%)
Heat Infra	million EUR	124	198	(74)	(37%)
EPIF Other	million EUR	2	5	(3)	(60%)
Total EPIF Group	**million EUR**	**1,225**	**1,444**	**(219)**	**(15%)**
EPPE Group					
Flexible Power Generation	million EUR	2,085	2,436	(351)	(14%)
Renewable Energy	million EUR	283	377	(94)	(25%)
EPPE Other	million EUR	11	91	(80)	(88%)
Total EPPE Group	**million EUR**	**2,379**	**2,904**	**(525)**	**(18%)**
EPH Other	**million EUR**	**36**	**30**	**6**	**20%**
Holding Entities	million EUR	(53)	(36)	(17)	47%
Inter-segment eliminations	million EUR	–	4	(4)	(100%)
Total EPH Group	**million EUR**	**3,587**	**4,346**	**(759)**	**(17%)**

CAPEX

CAPEX of EPH Group reached EUR 857 million (EUR 752 million in 2022). The presented CAPEX is defined as additions to tangible and intangible assets plus advances paid for tangible and intangible assets less emission allowances, additions to right of use assets and goodwill.

CAPEX of EPIF Group reached EUR 196 million (EUR 172 million in 2022). EPIF continued its effort to increase production efficiency, reduce environmental impact of its operations and enhance reliability of its services. Increase in CAPEX was driven by higher spending on reconstruction and development of the gas and power distribution networks, storage operations, and initiation of Heat Infra decarbonisation projects.

CAPEX of EPPE Group reached EUR 633 million (EUR 568 million in 2022). The high level of CAPEX in Flexible Power Generation segment is largely due to continuing construction of 3 major development projects, namely Kilroot OCGT in Northern Ireland, Tavazzano CCGT and Ostiglia CCGT in Italy, which represents together over EUR 346 million. Other part of CAPEX represents mainly major overhauls of Italian power plants. On the other hand, a decrease in Renewable Energy segment is driven by a major overhaul in 2022 of the UK biomass power plant.

CAPEX	Unit	2023	2022	2023 - 2022	%
EPIF Group					
Gas Transmission	million EUR	5	32	(27)	(84%)
Gas and Power Distribution	million EUR	104	89	15	17%
Gas Storage	million EUR	25	10	15	150%
Heat Infra	million EUR	62	40	22	55%
EPIF Other	million EUR	–	1	(1)	(100%)
Total EPIF Group	**million EUR**	**196**	**172**	**24**	**14%**
EPPE Group					
Flexible Power Generation	million EUR	536	475	61	13%
Renewable Energy	million EUR	28	63	(35)	(56%)
EPPE Other	million EUR	69	30	39	130%
Total EPPE Group	**million EUR**	**633**	**568**	**65**	**11%**
EPH Other and Holding entities	**million EUR**	**28**	**12**	**16**	**133%**
Total EPH Group	**million EUR**	**857**	**752**	**105**	**14%**

NET FINANCIAL DEBT, LEVERAGE AND CASH CONVERSION

Net financial debt stood at EUR 4,828 million at the end of the year under review (EUR 4,910 million in 2022). The presented figure is calculated summing up Loans and borrowings together with Issued bills of exchange (presented as part of Financial instruments and financial liabilities), netted for Cash and cash equivalents.

The net financial debt remains on the similar level as in the previous year.

Net Leverage worsened to 1.3× (1.1× in 2022) due to exceptional year 2022 but EPH Group is still very well-positioned in terms of the leverage within the industry peer group.

Net financial debt and Leverage	Unit	2023	2022	2023 - 2022	%
Loans and borrowings	million EUR	8,330	7,707	623	8%
Issued bills of exchange	million EUR	–	213	(213)	(100%)
(less) Cash and cash equivalents	million EUR	3,502	3,010	492	16%
Net financial debt	**million EUR**	**4,828**	**4,910**	**(82)**	**(2%)**
Underlying EBITDA	million EUR	3,587	4,346	(759)	(17%)
Net Leverage	**×**	**1.3×**	**1.1×**	**0.2×**	**–**

Cash conversion was 48.5% (73.3% in 2022). A drop is driven by continuing high investments in development projects, tax payments in 2023 for exceptional year 2022 and also due to lower result in 2023 caused by softening and lower volatility of commodity prices over 2023.

Cash conversion	Unit	2023	2022	2023 - 2022	%
Underlying EBITDA	million EUR	4,346	2,286	2,060	90%
CAPEX	million EUR	(752)	(441)	(311)	71%
Income tax paid	million EUR	(407)	(416)	9	(2%)
FCF		1,741	3,187	(1,446)	(45%)
Cash conversion	**%**	**48.5%**	**73.3%**	**(24.8%)**	**-**

The part of CAPEX consists of development CAPEX, which is related to development projects focused mainly on the support of grid stability and reliable supply of power. Most of these expenditures represent constructions of gas turbine power plants in Northern Island and Italy mentioned in the previous chapter. Development CAPEX of EPH Group reached EUR 446 million (EUR 368 million in 2022). Then free cash flow excluded development CAPEX in 2023 is EUR 2,187 million (EUR 3,555 million in 2022), which makes cash conversion of 61.0% (81.8% respectively).

1.3 Other Information

DESCRIPTION OF THE DIVERSITY POLICY APPLIED TO THE STATUTORY BODY, SUPERVISORY BODY OR OTHER SIMILAR BODY

The Company is committed to encouraging equality, diversity, and inclusion among its workforce, and eliminating unlawful discrimination, in line with the ILO Convention No. 111 on discrimination. The aim is for our employees to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best. We strive to ensure that our employees feel supported and comfortable at work as we recognise that our staff are our greatest asset. We aim to attract and retain people with diverse skills, experience, and background to deliver high-quality products and services. These commitments are articulated by the Group Equality, Diversity and Inclusion policy and apply in full to the process of selecting suitable candidates for the position of the member of Company's statutory and supervisory body.

RIGHTS AND OBLIGATIONS ASSOCIATED WITH SHARES

Act No. 90/2012 Coll., Commercial Companies, as amended, and the Company's Articles of Association govern the rights and obligations associated with the Company's shares. The current version of Articles of Association is placed into the collection of documents of the Commercial Register maintained by the Municipal Court in Prague.

LEI CODE

The company Energetický a průmyslový holding, a.s. was registered with LEI (Legal Entity Identifier) code No. 31570010000000090208 CDCP (Centrální depozitář cenných papírů). LEI code of other companies within the EPH Group can be found on https://search.gleif.org/#/search/.

BRANCHES

The EPH Group has the following organizational units abroad:

- AISE, s.r.o., organizačná zložka located in Slovakia;
- NAFTA a.s. – organizační složka located in the Czech Republic;
- EP ENERGY TRADING, a.s. – organizačná zložka located in Slovakia;

- EP COMMODITIES A.S. LONDON BRANCH located in the United Kingdom;
- EP Commodities, a.s., Prag, Zweigniederlassung Zug located in Switzerland;
- ÚJV Řež a.s. – organizačná zložka Slovensko located in Slovakia;
- LokoTrain s.r.o. – organizačná zložka located in Slovakia;
- LokoTrain s.r.o. oddzial w Polsce located in Poland; and
- Spedica, s.r.o., organizačná zložka Slovensko located in Slovakia.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2023, the EPH Group did not carry out any significant research and development activities and as a result did not incur any material research and development costs.

ACQUISITION OF OWN SHARES OR OWN OWNERSHIP INTERESTS

During the 2023, EPH Group did not acquire any own shares or ownership interests within the Group.

RISKS AND RISK MANAGEMENT POLICIES

The EPH Group is exposed to a variety of financial and market risks. The risk management policies are set out in the notes to the consolidated financial statements.

SUSTAINABILITY REPORT

In July 2023, EPH issued its eighth Sustainability report covering year 2022. EPH plans to issue its Sustainability report for 2023 during Q2 2024. The Sustainability report is expected to cover a wide spectrum of economic, environmental, social and governance related topics and will enable report users to obtain a comprehensive understanding of the EPH Group's business and the links between EPH's strategy and commitment to a sustainable global economy.

OUTLOOK FOR 2024

EPH Group expects to continue being key participant on European power market, where our top priority remains the same: guaranteeing the health, safety and well-being of the Group's employees, and safeguarding of the essential power grid security in countries where the Group operates. The Group management plans to continue developing its central business activities both in the EPPE and EPIF Groups.

The Group believes its medium- to long-term market position stays resilient, primarily as i) the Group operates the critical infrastructure in gas and power distribution, gas transportation and storage and power generation, and ii) major operated assets are regulated or semi-regulated and/or long-term contracted with high quality counterparties. At the same time, EPH Group maintains robust credit and liquidity risk management system which underpins EPH Group's financial stability. The Group expects to continue in developing its current business while concentrating on own development and acquisitions to access new markets.

1.4 Market development

MACROECONOMIC DEVELOPMENTS

Global economic growth in 2023 slowed owing to the lagged effects of tighter monetary policy, high inflation rates, and the cost-of-living crisis that followed Russia's invasion of Ukraine. The IMF in its January 2024 World Economic Outlook Update pegged global economic growth at 3.1% in 2023 compared to 3.5% in 2022.

The stabilisation of energy prices following the shock of 2022 contributed to a slowdown in inflation, with the IMF pegging global headline inflation rates at 6.8% in 2023 compared to 9.2% in 2022. The normalisation of gas and power prices in Europe was achieved on the back of significant demand destruction paired with growing global LNG exports and stable pipeline supply from countries such as Norway, Algeria, and Azerbaijan as well as growing non-thermal power generation in Europe. As a result, TTF day-ahead prices declined from an average of 121 EUR/MWh in 2022 to 41 EUR/MWh in 2023 – still significantly higher than the 2015–2019 (pre-Covid and pre-energy crisis) average of around 18 EUR/MWh.

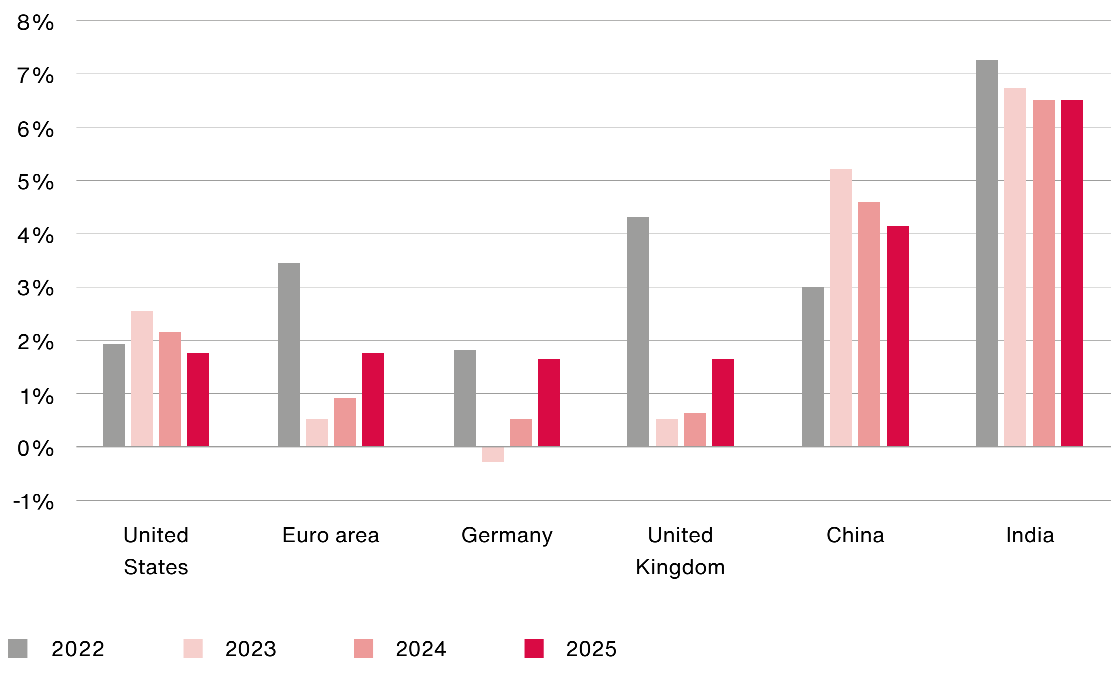


Figure 1: IMF growth projections.

Source: IMF, World Economic Outlook, January 2024 Update

Structurally higher energy prices continued to weigh on manufacturing powerhouses such as Germany with energy intensive industries being confronted with higher costs and lower margins. This contrasted with the more pronounced recovery in service-oriented economies within Europe such as France and Spain, which benefitted from strong demand for services and tourism. The United States meanwhile showed resilient consumption and investment throughout last year. As a result, economic trajectories across countries and regions are likely to differ significantly in 2024.

China's growth momentum is slowing on the back of the persistent global manufacturing slowdown and continued weakness in its property sector, with the IMF pegging economic growth at 5.2% in 2023 and projecting a decline to 4.6% in 2024. Country Garden, China's largest property developer, is facing severe liquidity stress while the weak real estate sector is undermining home buyer confidence and prolonging the property sector downturn. The IMF highlights that China remains at risk of a significant real estate crisis with potential ramifications for global economic growth if real estate prices decline rapidly.

Commodity markets will continue to play a significant role in shaping global economic growth this year. While gas and power prices continued to decline towards historical levels at the beginning of 2024 (TTF prices averaged 30 EUR/MWh in January), gas markets remain finely balanced with any major LNG or production outage having the potential to cause a significant spike in gas and power prices. Such spikes can again fuel inflationary pressures in the economy while weighing on industrial output and aggregate consumption.

Economic trajectories in 2024 and 2025 will likely differ significantly across countries and regions. Advanced economies, particularly manufacturing intensive ones such as Germany, will continue to face structural challenges to economic growth over the coming year, with the IMF forecasting that advanced economies will grow by a mere 1.5% in 2024. This is in stark contrast to relatively robust economic growth from emerging markets and developing economies, which the IMF pegs at 4.1% in 2024.

ENERGY MARKET DEVELOPMENTS

LATEST DEVELOPMENTS

European gas prices in the first months of 2024 continued their downward trajectory amid high storage levels, soft demand, and robust supply from LNG and Norway. TTF front-month prices fell to a new low around 23 EUR/MWh on 22 February compared to 48 EUR/MWh at the same time the previous year.

The firm downtrend followed a sharp price rise in October 2023 after the eruption of the conflict between Israel and Hamas. Prices quickly rose to the top of the coal-to-gas fuel-switching range at around 55 EUR/MWh with the market fearing LNG supply disruptions from Egypt and, in a worst-case, Qatar.

Concerns waned in November as Israeli gas production normalised following the temporary shutdown of the Tamar gas field, with Egypt soon resuming LNG exports. At the same time, it became apparent the conflict would not imminently escalate to a direct confrontation between Israel and Iran, in turn reducing risks to Qatari supply despite attacks from Houthi militants on commercial ships in the Bab al-Mandeeb Strait.

Despite the conflict in the Middle East, European LNG imports throughout winter 2023 were stable year-on-year (y/y), with EU27 and UK LNG receipts in the fourth quarter of 2023 amounting to 21 Mt (29 bcm) compared to 22 Mt (30 bcm) in 2022. LNG flows in January were also flat y/y, coming in at around 10 Mt (14 bcm), alleviating fears over potential supply disruptions due to freeze offs in the United States as well as Houthi missile attacks in the Red Sea. Meanwhile, Norwegian pipeline flows in the fourth quarter of 2023 came in 1 bcm higher y/y at 29 bcm, further contributing to a stable gas supply situation for Europe.

Signs of sticky demand destruction amplified bearish pressure on TTF prices as the winter season progressed. While gas demand in northwest Europe (Germany, France, Belgium, the Netherlands, UK) and Italy between October 2023 and January 2024 rose by 2% y/y, it remained 16% below the 2018-2022 average despite temperatures rising 4% above the average for the same period.

The stickiness of European gas demand destruction allowed Europe to maintain healthy storage levels throughout winter, with EU storage around 73% full at the end of January 2024 and 62% at the end of February 2024, opening up further significant downside to prices.

As a result, prices came off their October highs to trade around the 40-45 EUR/MWh range in November before derisking further to 30 EUR/MWh by end-December 2023 and dropping further into the high 20s EUR/MWh in early and mid-January 2024.

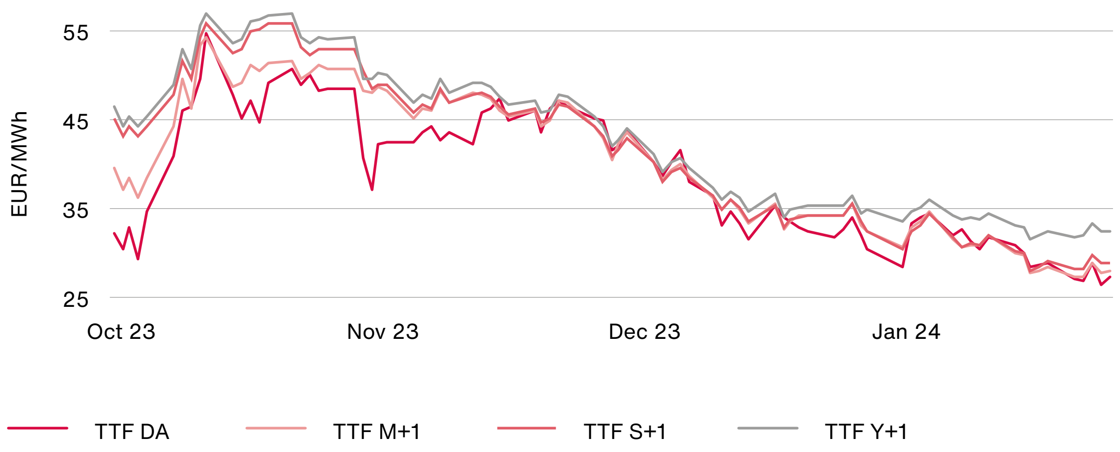


Figure 2: TTF spot and forward prices over Win-23.

Source: EEX, ICE, EPC UK

Prices rebounded slightly towards the end of January, with the Mar-24 contract breaching through the 30 EUR/MWh mark as news emerged on 26 January that the 15 Mtpa Freeport LNG site would have to carry out urgent maintenance on one of its three trains, necessitating the train's shut down for approximately one month. Paired with colder weather runs and news of a 1 GW coal-plant shutdown in Japan following an explosion meant that TTF prices lost some of their bearish momentum. But continued loose fundamentals together with a significant mild spell in February meant that prices subsequently continued their downward trajectory.

Falling EUA prices contributed to the softness across the wider energy complex. Prices for the Dec-24 EUA contract fell from around 80 EUR/t at the end of 2023 to a low of 62 EUR/t in January 2024, in turn shifting coal-to-gas fuel-switching prices lower and opening more downside for European gas prices. Towards mid-February, a strong correlation between EUA and TTF price movements emerged, which lent support for TTF prices.

After reaching a new low on 23 February of 51 EUR/t, EUA prices sharply rebounded to reach a high of almost 59 EUR/t on 28 February, in turn also causing front-month TTF prices to rise from the lows of 23 EUR/MWh on 23 February to a high of around 26 EUR/MWh on 28 February.

The rebound in both EUAs and TTF also coincided with a significant rise in API2 coal prices. Front-month API2 contract prices rose from 96 USD/t on 22 February to 107 USD/t on 1 March following an announcement on 23 February that the US has placed Russian coal supplier SUEK on its sanctions list.

Fundamentally, European gas prices will likely remain anchored to the coal-to-gas fuel-switching range as long as fuel switching will be sufficient to balance fluctuations in Europe's supply, meaning that EUA price movements can continue to have a significant impact on TTF prices.

European gas and power markets remain finely balanced and hence prone to significant volatility until 2026, when sizeable LNG liquefaction capacity expansions are commissioned. Any major LNG or upstream production outage affecting European supply can therefore quickly send prices towards the top of the coal-to-gas fuel-switching range – or potentially above it – depending on the magnitude of the event.

While Russian pipeline flows to Europe make up a much smaller share of total European supply, a possible halt of Ukrainian transit flows at the end of 2024 could provide some structural support to TTF prices next year and further amplify price volatility as Europe's exposure to all elements of the global gas balance grows. Conversely, continued flows via Ukraine could open further downside for prices in 2025.

European power prices have also maintained a bearish trajectory through early 2024. German and French spot prices for February around 60 EUR/MWh are the lowest monthly levels since early 2021. Persistent demand weakness alongside robust nuclear and hydropower availability have limited the space for thermal generation, with average German clean spark spreads (CSSs) and clean dark spreads (CDSs) both deeply negative across Q1-24. Forward power contracts have in turn also continued to derisk, with German Cal-25 CSSs and CDSs for average-efficiency power plants (50% for gas and 35% for coal) both out of the money, trading at -7 EUR/MWh for CSS and -22 EUR/MWh for CDS as of early March.

French incumbent utility EDF has proceeded with a renewed programme of nuclear controls and repairs without major incident since discovering new stress-corrosion issues during the first quarter of 2023. In late December 2023, EDF announced limited nuclear outage extensions at a select group of reactors without changing its nuclear output targets for 2024 or 2025. In late February, EDF cleared Gravelines 2 and Dampierre 3, although the utility still expects to extend around five existing outages by an average of one month due to corrosion issues.

EDF intends to commence fuel loading for the new Flamanville 3 French nuclear reactor in March 2024, ahead of grid connection several months later. In February, the chairman of the French Nuclear Safety Authority (ASN) confirmed that the goal of loading fuel into the Flamanville EPR by the end of March was achievable but noted that the current schedule was extremely tight with further administrative work required. Across the channel, EDF has pushed back commissioning of the Hinkley Point C nuclear plant by a further two-four years from its latest target of mid-2027, blaming inflation, Covid, and Brexit disruptions for the delay.

POWER CONSUMPTION

Global electricity demand growth slowed again in 2023, amid inflation and economic woes, and as surging wholesale prices in the wake of Russia's 2022 invasion of Ukraine fed through into consumer bills, spurring a behavioural response. In July of 2023, the International Energy Agency (IEA) revised down its annual global demand growth forecast to 1.9%, below 2022's 2.3% and the 2015-2019 average of 2.4%. The transport and heating sectors did continue to expand, and growth in developing economies outstripped the global average. Advanced economies continued to struggle however, including major European power markets.

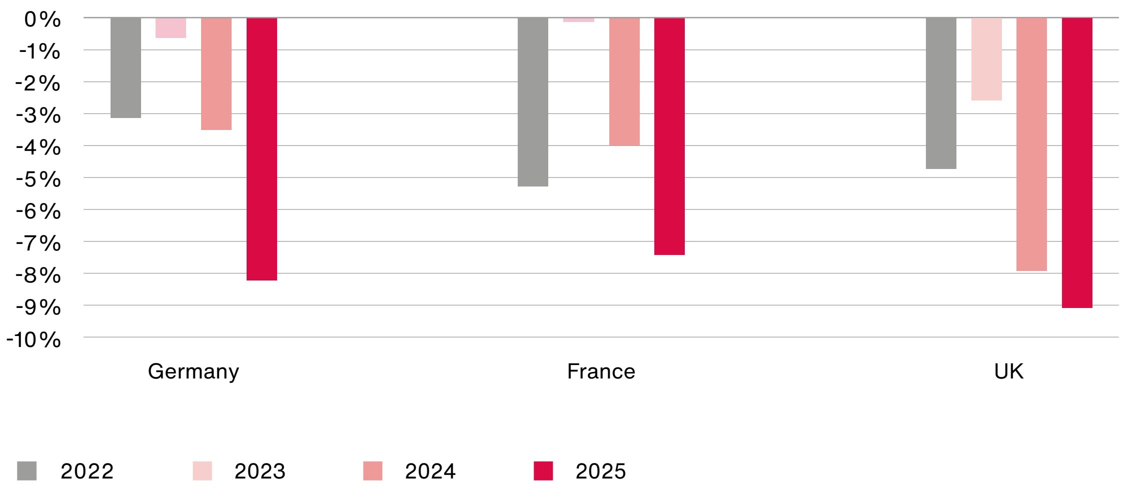


Figure 3: Changes in power demand relative to 2019.

Source: IEA, ODRE, GOV.UK

Power consumption in Germany, France, and UK fell by up to 5% in 2023, after drops in the latter part of 2022 carried over for the full year. This has been partly caused by a lagged response of consumer bills to surging wholesale prices in the wake of Russia's invasion of Ukraine, as well as government energy saving measures and potentially permanent industrial demand destruction. British electricity demand has also generally been declining amid energy efficiency improvements and economic disruptions pre-dating the pandemic, and so recorded a larger drop in 2023 relative to 2019 than France or Germany.

POWER PRODUCTION

Structurally weak power consumption, continued growth in renewable production, and a recovery in nuclear and hydro production caused a significant drop in EU-27 fossil-fuel generation through 2023, which fell 23% y/y to set a multi-decade low of 681 TWh.

The limited space for thermal generation in the power sector in turn helped to stabilise European gas markets, in stark contrast to 2022 where heavily constrained nuclear and hydro generation supported gas-fired generation despite record-high fuel prices. The improved EU supply-demand balance allowed gas prices to fall steadily through the summer months towards the bottom of the hard-coal-to-gas fuel-switching range, pushing gas dispatch ahead of coal in the merit order.

While gas generation recorded the largest y/y decline in absolute terms through 2023 (down 81.1 TWh), its share of the overall thermal mix increased at the expense of both hard coal and lignite given the more dynamic fuel-switch environment compared with 2022.

German clean spark spreads – a measure of gas-fired power profitability – exceeded equivalent clean dark spreads for most of the year, even after having remained consistently uncompetitive throughout 2022. Some governments still maintained a cautious approach in efforts to minimise gas generation in the power mix ahead of winter, e.g. Germany reactivating 1.9 GW of lignite in October. Others began to retract gas-saving measures enacted in 2022, with the Italian government restricting the use of coal to a minimum following its coal-maximisation decree put in place in response to the energy crisis. Overall, lignite and hard-coal generation both dropped around 59 TWh y/y, falling below recent historic lows for generation set in 2020.

The recovery in nuclear output was largely driven by a strong rebound in France, with production up 40 TWh from 2022 record low levels as French utility EDF better managed the return of plants impacted by stress-corrosion issues. Overall production for the year reached 320 TWh, toward the upper bound of EDF's production target range of 300–330 TWh.

While overall EU nuclear generation was further supported by the startup of the long-delayed 1.6 GW Finnish Olkiluoto 3 nuclear reactor in April and Slovakia's 471 MW Mochovce 3 nuclear plant in October, further upside was limited by the decommissioning of Germany's last three nuclear power plants alongside the permanent closure of the Tihange 2 reactor in Belgium.

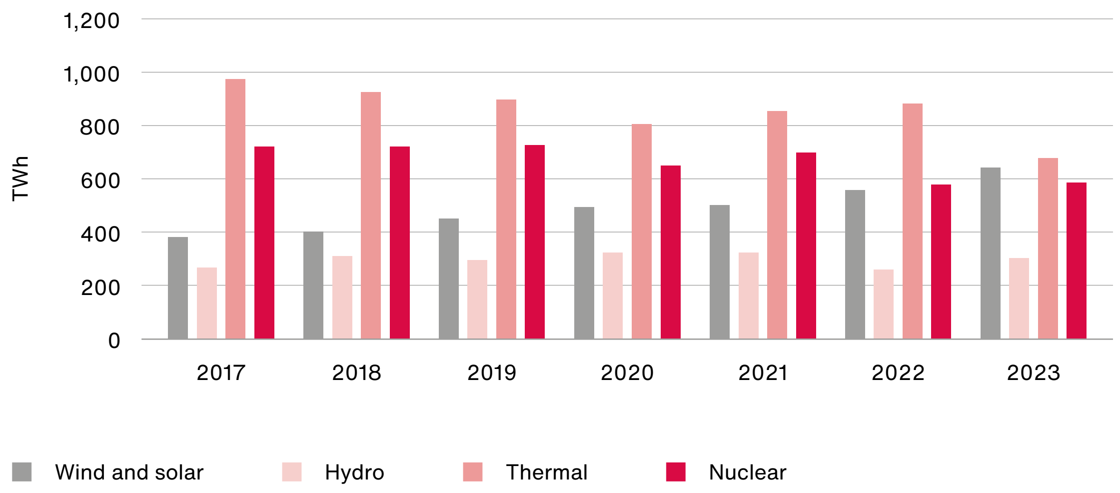


Figure 4: EU-27 power production by source.

Source: ENTSO-E, Energy-charts.info

Aggregate EU renewable production maintained its strong uptrend through 2023, surpassing overall thermal generation for only the second time on record. Wind output increased by 14 % compared to 2022, with the uplift particularly pronounced through Q4-23 (up 30% y/y), as stormy conditions saw new production records set for multiple European power markets in December.

According to the IEA, the EU built around 17 GW of new wind farms across the year, of which around 3 GW were accounted for by offshore installations. A total of 13 GW of new offshore wind capacity was tendered in 2023, with a further 40 GW planned to be tendered this year as countries aim to increase annual capacity buildout to reach ambitious 2030 targets. Transmission-connected solar generation also recorded a strong increase, rising by 30 TWh y/y on the back of a third consecutive year of record new installations.

The overall increase in solar generation is likely to be underestimated given a strong increase in behind-the-meter solar consumption (not reported at the transmission level), with high energy prices since 2022 spurring on a wave of residential solar installations. Solar Power Europe estimates that almost 56 GW of new capacity was added through 2023, maintaining a growth rate of at least 40% for the third year in a row.

Renewable production was also supported by a recovery in hydro generation following relatively poor hydrological conditions through 2022. Overall output increased by 42 TWh, though remained below 2021 levels, with southern Europe experiencing another long-running drought through summer.

Heavy rainfall over the Alps through November saw a marked improvement in the region's hydrological balance. In contrast, an extended cold snap in the Nordics through Q4-23 resulted in a strong drawdown in the region's hydro stocks, with aggregate reservoir levels closing the year slightly below the equivalent point last year and nearly 8 percentage points lower versus the long-term median.

POWER PRICES

Power prices across Europe fell sharply in 2023 compared to the record highs observed in 2022. This reflects a steep decline in gas prices, driven by demand destruction and healthy gas storage levels heading into winter 2023, as well as a lower call on thermal generation more broadly.

The year of 2022 was plagued by corrosion issues at French nuclear power plants which, paired with the gas supply shock of declines in Russian pipeline deliveries, caused Q1-23 forward French baseload prices to reach close to 2,000 EUR/MWh in August 2022.

However, improvements in French nuclear availability in winter 2022 led to significant de-risking across the power curve. Along with mild conditions and high renewable output, Q1-23 French prices delivered at 130 EUR/MWh, almost 120 EUR/MWh lower than where the Q1-23 contract last traded before expiry. The DE Q1-23 similarly fell 100 EUR/MWh in delivery from expiry of 215 EUR/MWh.

Delivery prices for French power across summer 2023 averaged 88 EUR/MWh, while Germany delivered at 92 EUR/MWh. Higher non-thermal generation together with continued demand destruction and lower gas prices weighed significantly on European power prices.

There was a large increase in negative pricing at outturn, noticeably in the Netherlands where there were 314 hours of negative pricing across the year, 65% of which occurred during the summer. This was largely due to aggressive solar capacity growth adding cheap supply in excess of demand during peak hours. Due to extreme instances of negative pricing, day-ahead EPEX auction thresholds were lowered from -150 EUR/MWh to -500 EUR/MWh. This new limit was hit on 2 July in the Netherlands.

In Germany there were 300 hours of negative-priced deliveries, albeit prices generally spiked less severely low than in the Netherlands. Dutch prices delivered -14 EUR/MWh lower on average during hours in which both Germany and Netherlands priced negative.

Q4-23 deliveries remained supressed with high wind generation and improving nuclear availability. Northwest Europe spot prices averaged 86 EUR/MWh, with France delivering the lowest at 80 EUR/MWh.

Spot delivery prices remained subdued in Germany despite the phase out of nuclear generation, although Germany maintained a marginal 2 EUR/MWh premium over France. Several lignite plants were allowed to return to the market for winter 23/24, providing relatively cheap baseload supply. Strong wind generation across Q4-23 (up 22TWh y/y) also limited Germany's pull for imports.

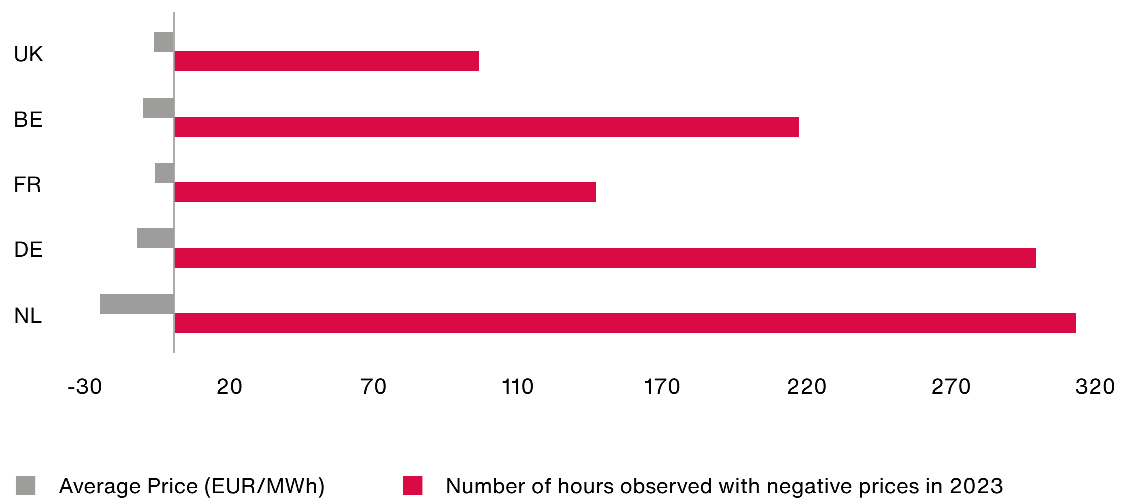


Figure 5: Number of negative-price hours in northwest Europe and average negative price.

Source: EPEX, EP Commodities

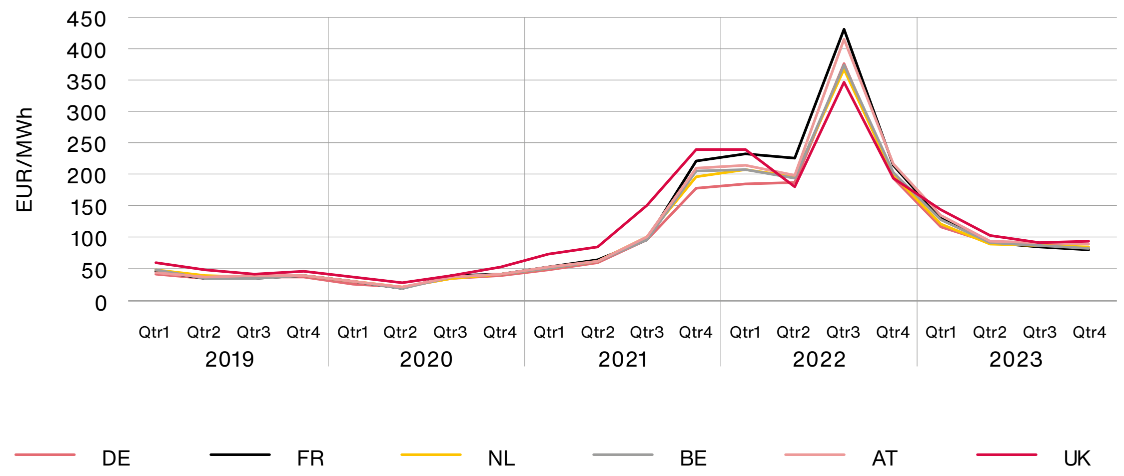


Figure 6: Northwest Europe spot deliveries.

Source: EPEX, EP Commodities

GAS CONSUMPTION

European natural gas demand declined further y/y in 2023 as lagged price effects, permanent demand destruction, and higher non-thermal power generation depressed demand. Northwest European and Italian gas demand fell by a further 8% y/y to 263 bcm, equivalent to a 16% deficit relative to the 2018–2022 average.

Northwest European and Italian local distribution company (LDC) demand reflecting burn for heating fell by 9 bcm y/y to 139 bcm in 2024 despite temperatures only 3% warmer y/y on average. The persistent demand reduction in the LDC sector points to a combination of lagged price effects and some permanent demand destruction. While wholesale prices fell, retail prices remain at elevated levels providing continued incentives for European end-consumers to save energy in winter and/or invest in energy efficiency measures.

Non-LDC demand in northwest Europe and Italy recorded even steeper declines, falling by 11% y/y to 124 bcm. While Germany aggregates power-sector and industrial gas demand, data from Belgium, France, the United Kingdom, and Italy point to power-sector gas demand driving most of the non-LDC demand losses. Industrial gas demand in the aforementioned four countries fell by 6% compared to power-sector gas demand which dropped by 21% to 41 bcm.

The drop in power-sector gas demand can largely be traced back to a lower y/y call on thermal generation. Significant improvements in French nuclear availability resulted in a 41 TWh increase in generation in 2023 – the equivalent of around 7 bcm of power-sector gas burn. Meanwhile, renewable generation in Germany, France, and the UK also increased by 35 TWh y/y in 2023 – the equivalent of approximately 6 bcm of power-sector gas burn.

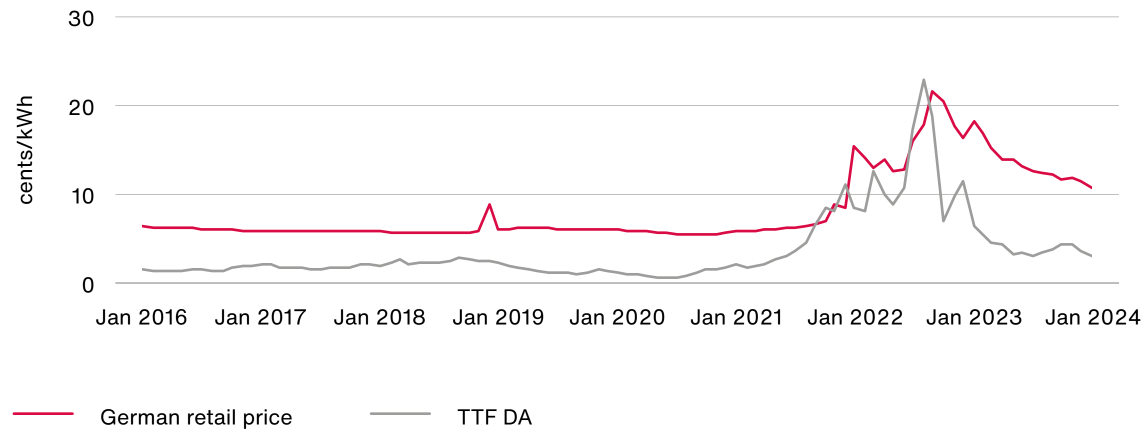


Figure 7: German retail gas prices vs TTF spot prices.

Source: Verivox, PEGAS, EP Commodities

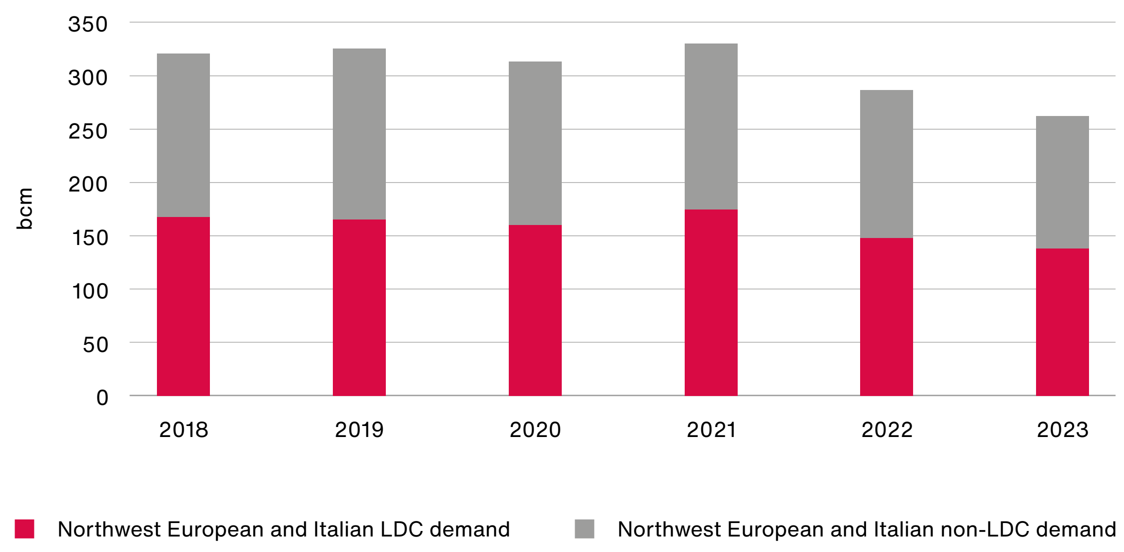


Figure 8: Northwest European and Italian gas demand by type. Source: ENTSOG, Transmission system operators, EP Commodities

GAS SUPPLY

Norway cemented itself as the largest single gas supplier to Europe via pipeline in 2023 despite heavy maintenance and unplanned operational issues.

Exports to Europe fell 8% from a record high of 114 bcm in 2022 to 105 bcm in 2023. High gas prices relative to oil, especially on a forward basis, meant producers continued to spurn using gas for enhanced oil recovery (EOR). However, a heavy summer maintenance programme following two years of relatively light works severely restricted flows over summer.

Works during June and September were hit by unplanned delays which cut supply beyond market expectations and helped support prices. There was a particularly severe TTF price reaction in the first half of June when Shell extended maintenance by nearly a month on the processing plant Nyhamna, which treats gas from the fields Ormen Lange and Aasta Hansteen. The operator discovered a gas formation with hydrogen when cleaning a water-based cooling system, with its repair necessitating a longer shutdown than planned.

A second series of unplanned outages in September further weighed on Norwegian flows once more, this time driven primarily by rolling extensions to maintenance at the Troll field – the largest on the Norwegian shelf.

Combined Review of Operations

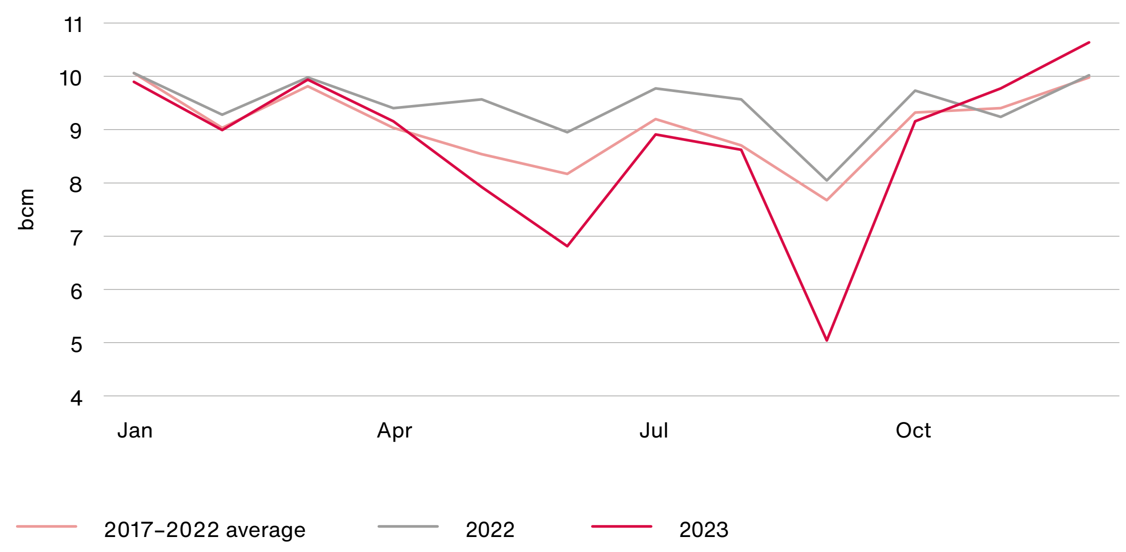


Figure 9: Norwegian gas pipeline exports to Europe. Source: Gassco, EP Commodities

The year 2023 was the first full calendar year of Norwegian exports to Denmark following the start of the Baltic pipe towards the end of 2022. Most volumes continued to transit the Danish offshore and onshore grids before heading to Poland via the new pipe.

State-owned Equinor was granted its highest ever production permit of more than 40 bcm by the Norwegian petroleum and energy ministry for Troll for the 2023/24 gas year starting 1 October. The other key permit for the Oseberg field remained at the previous gas year's high of 7 bcm.

Troll was granted a permit of around 38 bcm the previous gas year, a record high for the time, but heavy maintenance meant production outturned just below 37 bcm. If volumes are deferred from previous years there can be scope to produce above the cap, as they did in the 2021/22 gas year.

Gas prices at the beginning of 2024 were significantly below the equivalent Brent price, which could incentivise the return to some EOR. However, there are currently no tangible indications of Norway pivoting back to oil production.

Unlike their Norwegian peers, there was evidence that UKCS producers began to turn down some of their gas production as output fell 10% y/y to 34 bcm in 2023.

Dutch production dropped by over 30% y/y to 16 bcm in 2023 as operator NAM wound down production at the Groningen field, with limited provisions to produce volumes during times of high demand/cold temperatures. This effectively left small fields as the source of domestic production in the Netherlands, with some residual Danish volumes arriving via the NOGAT pipeline.

Those NOGAT volumes could largely dry up when Denmark restarts the Tyra field in 2024 after four years of redevelopment. Operator Total plans to ramp up production from the end of the first quarter of 2024 before reaching plateau production around 3 bcm/year which will land at the Nybro terminal in eastern Denmark.

North African flows to Italy and Spain edged 3% lower to 33 bcm with Algeria accounting for most exports and Libya delivering just over 10% of the total. With the Hassi R'Mel booster project mitigating the effect of high depletion rates from Algeria's more mature fields, flows were largely governed by contractual optimisation by Italian buyers. Algerian exports to Spain remain constrained by the cessation of transit via Morocco on the MEG pipeline in 2022.

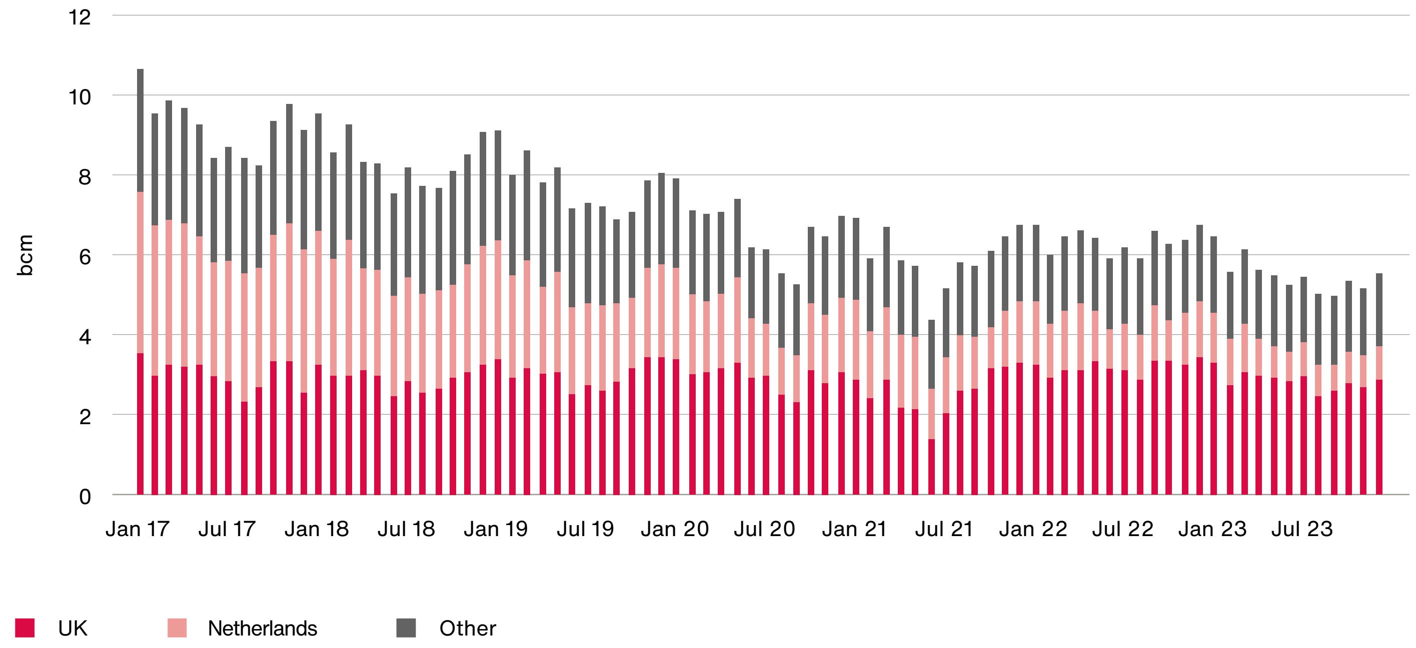


Figure 10: European domestic gas production.

Source: ENTSOG, EP Commodities

Azeri flows into Italy generally held steady at around 9 bcm, down just 3% from 2022. There was some offtake into the Balkan region via the IGB but Italy continued to take the vast majority of contractual and spot deliveries.

Russian pipeline exports remained a fraction of their historic norm with Gazprom continuing to supply a few contractual buyers via the Ukrainian and Turkstream routes. Flows totalled approximately 27 bcm in 2023, less than half the 62 bcm in 2022 and a fraction of its 168 bcm peak in 2021.

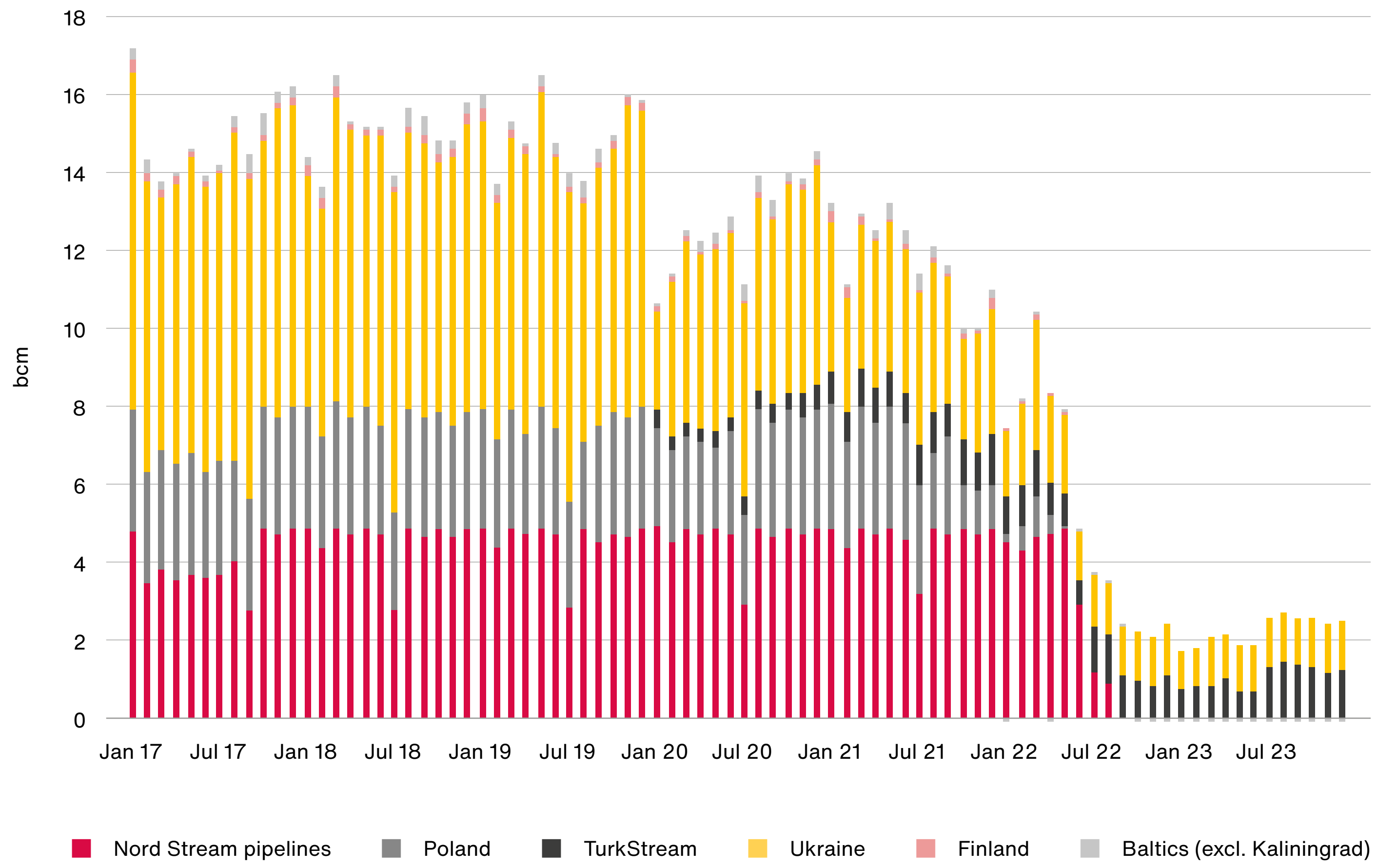


Figure 11: Russian pipeline exports to Europe by transit route.

Source: ENTSOG, GTSOU, EP Commodities

LNG

European LNG sendout for northwest Europe and Italy remained stable y/y in 2023, rising slightly to 101 bcm from 98 bcm in 2022. Europe continued to attract large volumes of flexible LNG, offsetting the impact of lower imports of piped Russian gas.

Overall, global LNG exports rose by 12 Mt y/y (16 bcm), driven by a combination of higher y/y exports from existing facilities that emerged from prolonged maintenance (Freeport, Hammerfest, Prelude), the ramp-up of greenfield projects (Coral Sul FLNG, Calcasieu Pass, Tangguh Train 3), and higher feedgas availability in Algeria. The increase in global LNG supply helped keep European LNG imports stable even in the face of stronger Asian LNG takes, which rose by 9 Mt.

Last year's rise in Asian LNG imports was fueled by a recovery in Chinese gas demand, which grew by 27 bcm y/y, reflecting a strong post-COVID rebound in economic output. The industrial and city gas sectors accounted for the bulk of the increase in Chinese demand, driven by the easing of COVID-related lockdowns. However, the crisis in the property sector and subdued external demand tempered the growth in Chinese LNG imports.

China's LNG imports for the year reached 72 Mt, marking an 8 Mt y/y increase, but remaining 7 Mt below the record-high imports of 79 Mt in 2021. The growth in China was offset by declines in Japan and Korea on the back of higher nuclear availability, as well as weak spot purchases from Pakistan and Bangladesh due to prices remaining above their affordability thresholds.

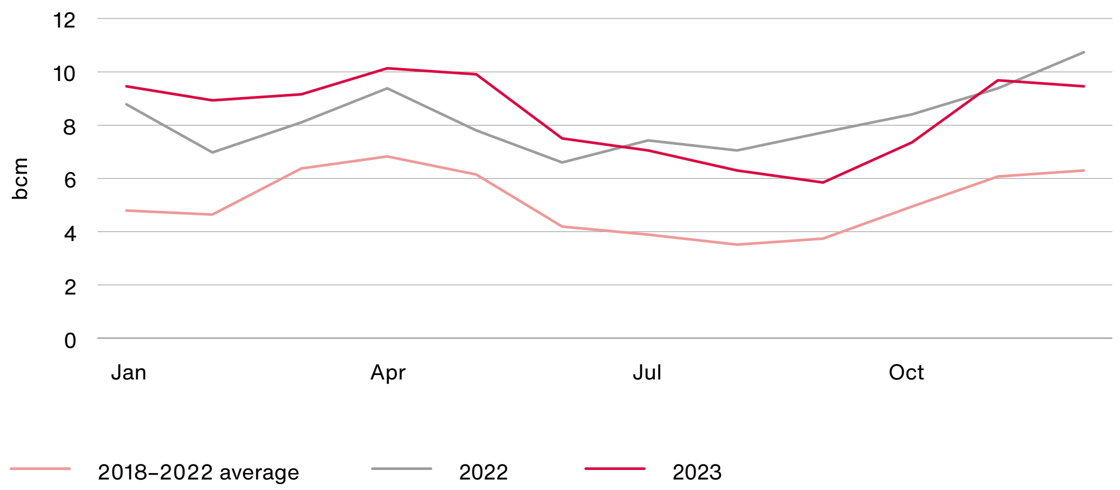


Figure 12: European LNG sendout, balances in our perimeter.

Source: ENTSOG, Transmission System Operators

Europe expanded its LNG-import capacity by an additional 11 Mtpa (14 bcm/y) in 2023, following the previous year's addition of 20 Mtpa (28 bcm/y). The deployment of additional floating storage and regasification units (FSRUs) in Germany, France and Italy continued LNG infrastructure build-out across northwest Europe and alleviated bottlenecks from 2022.

Due to Europe's ongoing reliance on LNG to compensate for the loss of most of its Russian pipeline gas, the potential for unplanned outages at major LNG export plants remained a significant factor influencing TTF price volatility. In August and September, the threat of strikes at three of Australia's biggest LNG projects – Woodside's North West Shelf and Chevron's Wheatstone and Gorgon facilities – exerted significant upward price pressure on TTF futures, pushing near-curve prices above 40 EUR/MWh.

The eruption of the Israel-Hamas war in October, which resulted in a temporary halt of Israeli gas exports to Egypt via the East Mediterranean Gas pipeline, also caused TTF futures to rally over concerns that Egypt would not be able to export LNG during winter.

GAS STORAGE

Underground inventories across Europe ended winter 2022-23 at a historically high level. Aggregate EU stocks totalled 57 bcm at the start of April, around 56% full, more than double the 27 bcm they ended the 2021-22 winter with.

Warmer-than-average weather, robust LNG supply, and demand destruction left the market with little need to draw on stocks. The prospect of very low injections during the summer weighed on gas prices through the first half of the year.

Shippers started to consistently inject into stores towards the end of March 2023 and warm weather at the start of the 2023-24 winter meant stocks reached a maximum of 102 bcm and a fullness in excess of 99%. Many sites filled above nameplate capacity as operators were able to manage pressure and offer additional space to the market. Injections averaged 223 mcm/d across April-September, down from 335 mcm/d the summer prior.

European legislation adopted in 2022 around minimum inventory targets remained in place in 2023. Member states (with some derogations) had to reach 90% fullness by November, but all were able to do so with little to no intervention from market operators. The same targets remain in place for 2024.

A lack of conventional space to inject coming into the winter meant the market had to turn to other less conventional storage. TTF time-spreads widened to incentivise the usage of both Ukrainian storage capacity and floating storage onboard LNG tankers to provide short-term balancing solutions to the market in the September-October shoulder season.

The warm start to winter and usage of non-domestic storage flexibility meant European underground storage sites did not start to be consistently depleted until the second half of October. Another warmer-than-average fourth quarter, coupled with strong Norwegian and LNG supply meant sites ended the calendar year holding 89 bcm – around 86% full.

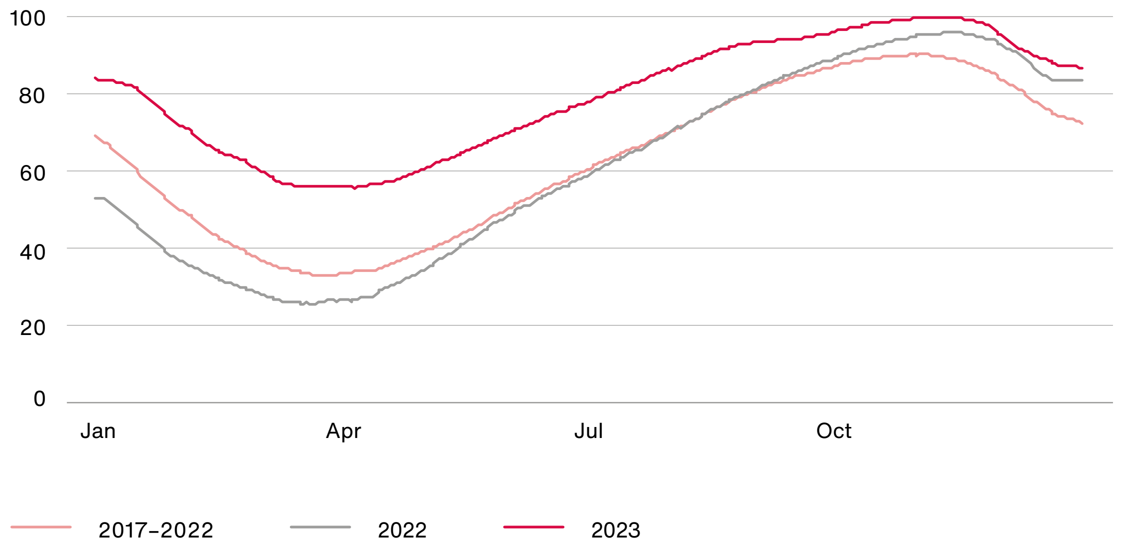


Figure 13: European gas inventories fill rate (%).

Source: AGSI, EP Commodities

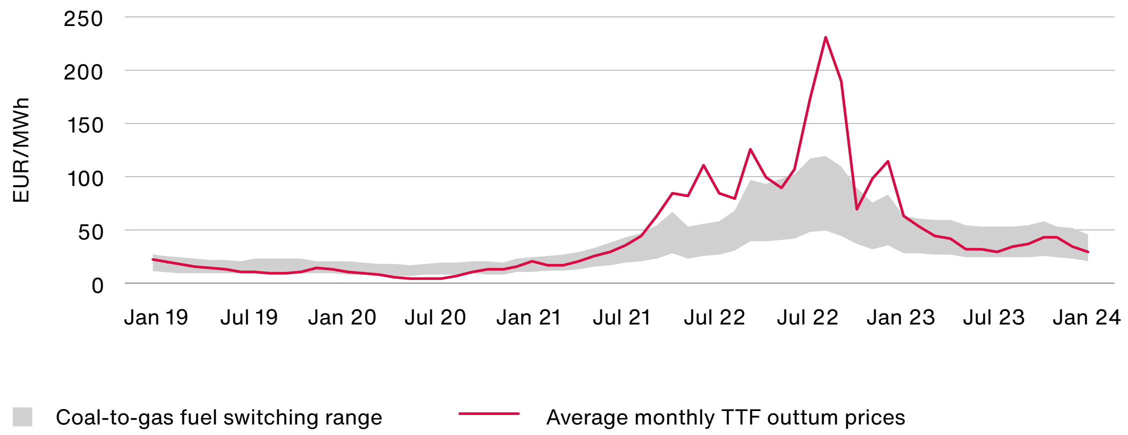


Figure 14: Average TTF outturn prices versus coal-to-gas fuel switching range.

Source: ICE, NYMEX, EP Commodities

GAS PRICES

TTF prices at the start of 2023 were already significantly off their 2022 highs but still buoyed by security of supply concerns, with day-ahead prices in January still averaging around 64 EUR/MWh. Continued soft demand and stable supply allowed Europe to end the winter 2022 season with storages still being filled 55% on 31 March 2023, opening up further downside for prices over the course of the second quarter of 2023 and allowing the TTF to trade firmly within the coal-to-gas fuel switching range throughout the remainder of the year.

After a temporary rally in March over concerns of new corrosion issues at French nuclear facilities, TTF day-ahead prices steadily declined and reached their 2023 low in June of last year, reaching around 23 EUR/MWh compared to around 106 EUR/MWh the same time in the previous year. However, prices in the low 20 EUR/MWh range meant that the market was factoring in minimal to no supply disruptions, rendering it prone to price spikes. The potential for significant volatility was amplified by the growing risk of short squeezes as investment funds' net short position in June 2023 reached the largest net short since July 2020, according to ICE data.

On 13 June, Shell announced a large unplanned outage at the Nyhamna processing site in Norway, delaying the plant's restart by an additional six weeks and in turn tightening the European market by around 1-2 bcm. News of the outage, paired with fears of further maintenance extensions, led to sharp price gains, with day-ahead prices rising from around 23 EUR/MWh at the start of June to around 40 EUR/MWh on 15 June.

As the Nyhamna processing plant restarted in mid-July, TTF day-ahead prices fell again to the mid-20s EUR/MWh and remained fairly rangebound until the beginning of August. Strikes at Australian LNG facilities threatened around 4 Mt/m (5 bcm/m) of LNG exports, causing prices to rise again with day-ahead prices breaking the 40 EUR/MWh barrier on 22 August. Prices remained elevated until late September. By this point, Woodside reached an agreement with the workers union paving the way for stable LNG exports while Chevron demonstrated that it was able to maintain LNG exports at Gorgon and Wheatstone LNG despite ongoing strikes.

The market saw a sharp repricing at the end of September with day-ahead prices falling from the 40 EUR/MWh mark to 29 EUR/MWh on 6 October. The bearish move was negated, however, after the Hamas terrorist attack on Israel and the ensuing conflict in Gaza. Market jitters over Egyptian and Qatari LNG exports quickly drove day-ahead prices to 54 EUR/MWh on 13 October.

Concerns waned in November as Israeli gas production normalised following the temporary shutdown of the Tamar gas field in October, with Egypt soon resuming LNG exports. At the same time, it became apparent that the conflict would not imminently escalate to a direct confrontation between Israel and Iran, in turn reducing risks to Qatari supply despite attacks from Houthi militants on commercial ships in the Bab al-Mandeeb Strait.

As a result, prices came off their October highs relatively quickly to trade around the 40–45 EUR/MWh range in November before derisking to 30 EUR/MWh by end-December 2023 and dropping further into the high 20s EUR/MWh in January 2024.

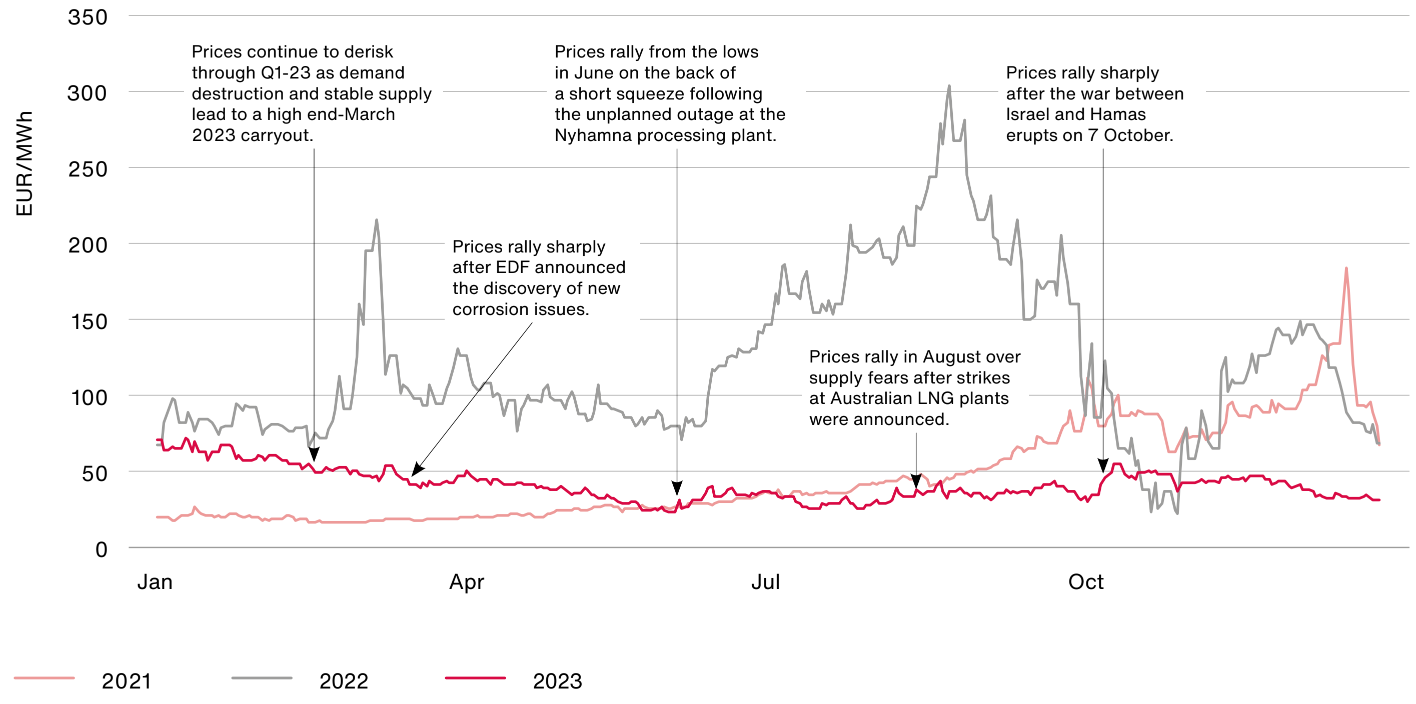


Figure 15: TTF outturn (day ahead) prices in EUR/MWh.

Source: ICE, EP Commodities

JKM-TTF spreads averaged $0.10/mmbtu in 2023, rising by $7/mmbtu y/y on the back of higher Asian demand, softer TTF flat prices and reduced congestion at European regasification terminals. A weak Asian call on cross-basin US spot cargoes kept JKM-TTF spreads trading in a range between the Qatari and West African freight differentials for most of 2023. Freight differentials refer to the increase in shipping costs to send LNG cargoes to Europe instead of Northeast Asia.

It was only in the fourth quarter of 2023 that JKM-TTF spreads widened to levels sufficient to open the arbitrage for US cargoes to Asia via the Cape of Good Hope (COGH). Wider JKM-TTF spreads through the fourth quarter were the results of low water levels at Panama Canal's Gatun Lake combined with a higher Asian call on US spot cargoes, in part driven by a cold start to the winter in China. As a result, JKM-TTF spreads had to widen enough to incentivise LNG carriers from the US to Asia to take the longer route via COGH to avoid extended waiting times at the Panama Canal's Neopanamax lock.

Henry Hub prices averaged $2.6/mmbtu in 2023, marking a 62% y/y drop, owing to a combination of record-high production and flat y/y demand. US dry-gas production averaged 104 bcf/d (3 bcm/d) in 2023, driven by higher output in the Permian basin thanks to improved well-level productivity and higher crude prices. Gas production in the Haynesville and Appalachia regions also rose y/y, pushing inventories higher and exerting downward pressure on Henry Hub prices.

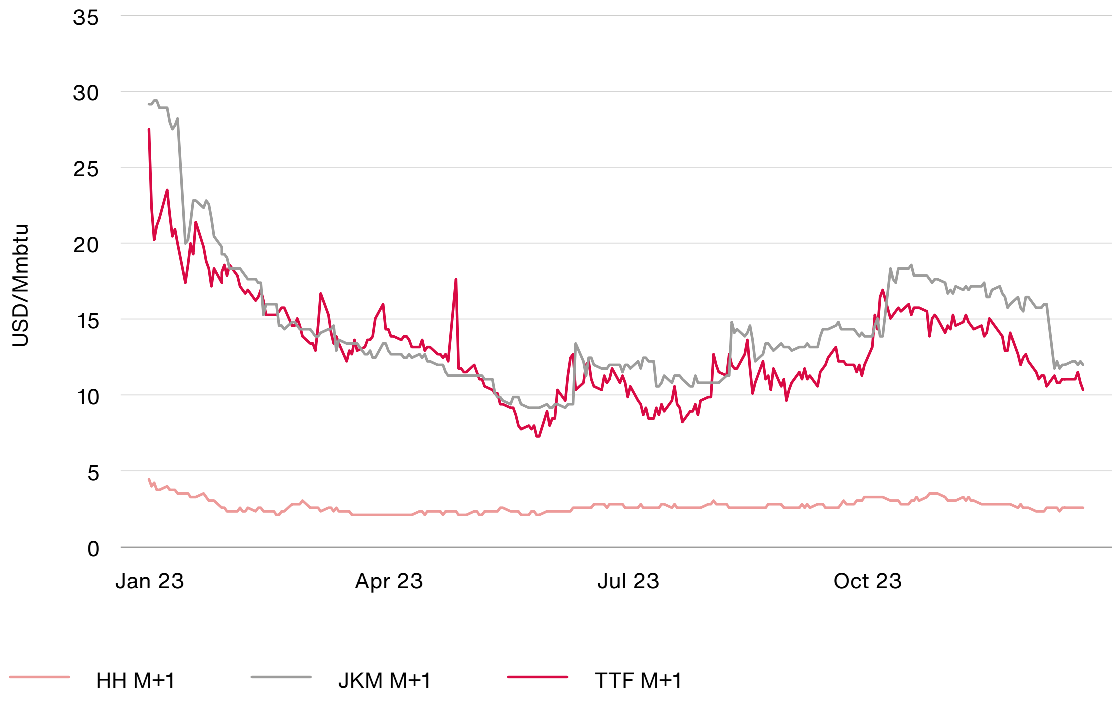


Figure 16: Global gas prices.

Source: ICE, NYMEX, EP Commodities

OIL

Crude oil prices ended 2023 slightly lower than where they started, with the front-month Brent benchmark starting the year trading above 85 USD/bbl and ending it below 78 USD/bbl.

The contract bounced between 80 and 90 USD/bbl at the start of 2023 before dipping towards the 70 USD/bbl level towards the end of March. Financial market instability drove the market lower before expectations of US Federal Reserve cuts started to drive prices higher.

Tighter fundamentals and a calmer banking sector helped prices rebound up to 87 USD/bbl in April. Demand was supported by a resurgent Chinese market despite weak industrial activity and warm weather hitting OECD consumption. Cuts by OPEC+ members tightened the supply side, offset by growth in the US, Brazil and Russia with the latter reaching in March its highest monthly export total since April 2020.

Prices again dipped lower in April and tested 70 USD/bbl through the first half of summer. Fears of hawkish US Central Bank policies and a stuttering global economy continued to weigh on Brent futures. Demand remained resilient despite the macroeconomic climate, with China and India leading the way.

Crude futures jumped up following the Hamas attacks in Israel on 7 October as the market priced in the increased geopolitical risk. This came on the back of an already bullish market in September amid voluntary supply cuts by Saudi Arabia which pushed the front-month contract to what would be its annual high around 98 USD/bbl.

Prices turned decidedly bearish over November and December as the weight of supply growth outside of OPEC+ and slowing demand growth loosened the market. Despite more OPEC+ cuts, supply growth from the US, Brazil, Guyana and Iran were able to push prices as much as 25 USD/bbl lower than their September high.

It was a year of shifting supply patterns, with east-of-Suez markets absorbing the majority of Russian exports as well as growing Iranian supply. They will need to accommodate volumes from the Atlantic Basin with the continued growth out of the US and Guyana, all the while managing geopolitical risk from an expanding conflict in and around Suez. As in LNG, the Cape of Good Hope is the main alternative route and extends voyages by up to two weeks while boosting freight and insurance costs.

Figure 17: Key oil benchmark prices.

Source: ICE, EP Commodities

COAL

API2 prices fell significantly throughout 2023 and sharply from their 2022 highs owing to looser fundamentals. Lower gas and EUA prices also opened downside for API2 prices as Europe was not calling as strongly on coal-fired power generation. As a result, prices fell from around 190 USD/t at the beginning of January 2023 to 118 USD/t at the end of December 2023.

Demand for coal continued to grow in 2023, with the IEA estimating global coal demand to have reached 8,536 Mt – a 1.4% y/y increase. European Union coal demand dropped 23%. More nuclear and renewable generation paired with demand destruction in the power sector lessened the call on thermal generation. Europe's loose gas balance in 2023 amplified the bearish impact on coal as low gas prices incentivised a switch from coal to gas-fired power generation.

China – despite flailing economic growth – posted a 4.9% y/y increase in coal demand in 2023. The Chinese electricity sector spearheaded the increase as it is less sensitive to fuel-switching dynamics. Owing to the country's growing power demand, coal-fired power generation in China increased by almost 7% in 2023, reaching more than 3,000 Mt according to the IEA.

Indian coal demand rose by 8% y/y in 2023. India's coal demand is mainly determined by power generation, with fuel-switching dynamics not playing a great role in its aggregate thermal coal demand. Overall, the IEA estimates that India's coal consumption for power generation increased 9% to around 937 Mt in 2023, accounting for most of the aggregate demand increase.

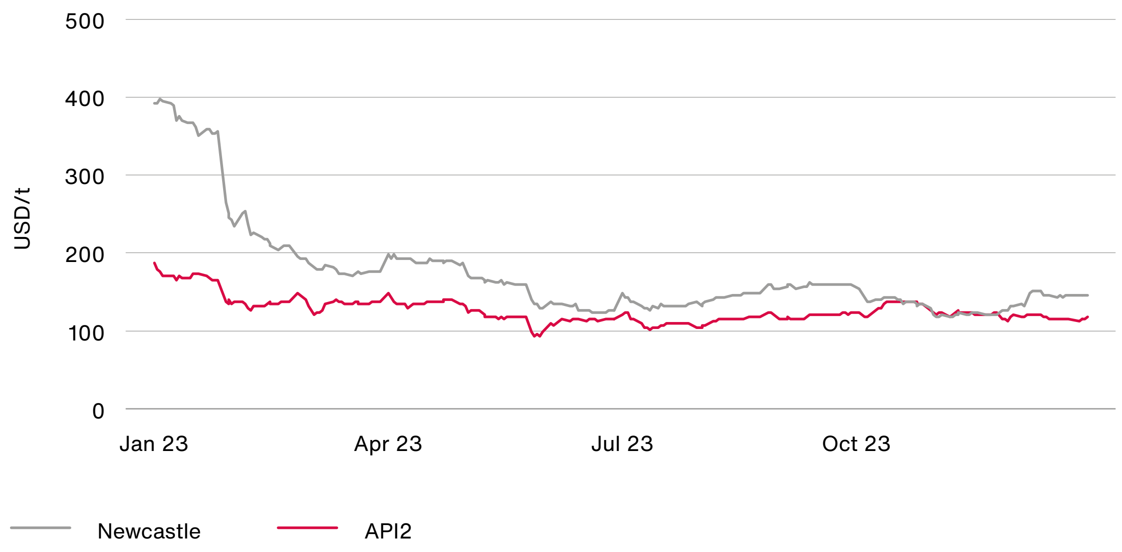


Figure 18: Global coal prices.

Source: ICE, EP Commodities

The bearish impact of lacklustre demand and lower gas prices on coal prices was amplified by robust supply growth in 2023, with the IEA estimating coal supplies reached new highs of around 8,582 Mt (up 7% y/y). This increase was predominantly led by China, which drove up domestic production to reduce its dependence on coal imports.

Production in India further contributed to the relatively strong global supply growth in 2023. India's domestic production is expected to have increased by around 11% to more than 1,000 Mt in 2023, driven in large part by strong production growth from operators of captive mines, which do not feed to power plants connected to the grid. NTPC, India's largest power producer, ramped up production in its captive blocks at an estimated 65% to 23 Mt, while the IEA estimates the captive blocks on aggregate have grown output by 27%.

EUA

As energy prices rose to all-time highs in 2022, the positive correlation they had to EUAs broke down. While EUA prices were at first buoyed by high coal-fired generation (and hence carbon emissions demand), the resulting demand destruction from high energy prices weighed significantly on demand for emissions certificates, causing the correlation to flip negative.

The past year saw the positive correlation between EUAs and energy prices return. With gas trading back in the coal-to-gas switching range, the usual dynamics resumed whereby higher gas prices would displace gas-fired generation in favour of coal, in turn causing a rise in carbon emissions certificates.

As a result, EUA prices largely followed gas prices lower, with the Dec-23 contract selling off to 69 EUR/t on 18 December from 86 EUR/t at the beginning of the year. However, the bearish pressure on EUA prices was amplified by three factors.

First, sticky demand destruction continues to weigh heavily on emission certificate demand. European industry emits less due to production curtailments while also consuming less power, meaning that both industrial demand and power-sector demand for emissions certificates remains subdued.

Second, non-thermal generation in Europe grew significantly, with higher French nuclear and renewable generation across Europe, which weighed further on power-sector demand for emissions certificates.

Lastly, supply for emissions certificates was bolstered by the European Commission's decision to front-load sales of allowances that were scheduled to be auctioned between 2027–2030 to before 31 August 2026 to raise around 40% of the Commission's planned EUR 20 billion.

The confluence of bearish factors continued to weigh on EUA prices in January 2024, with the Dec-24 contract reaching a low of around 62 EUR/t on 23 January.

From January 2024, the EU Emissions Trading System (ETS) also covers the shipping sector, with emissions from maritime transport being subject to the same cap-and-trade principles as other industries covered by the EU ETS. In 2024, the system starts by covering 40% of emissions from eligible vessels, with the coverage increasing to 70% in 2025 and 100% by 2026. At the same time, 2024 will also start to see free allowances for the aviation sector to be phased out. Free allowances will be reduced by 25% in 2024 and 50% in 2025 while the industry will have to pay for 100% of their emissions from 2026.

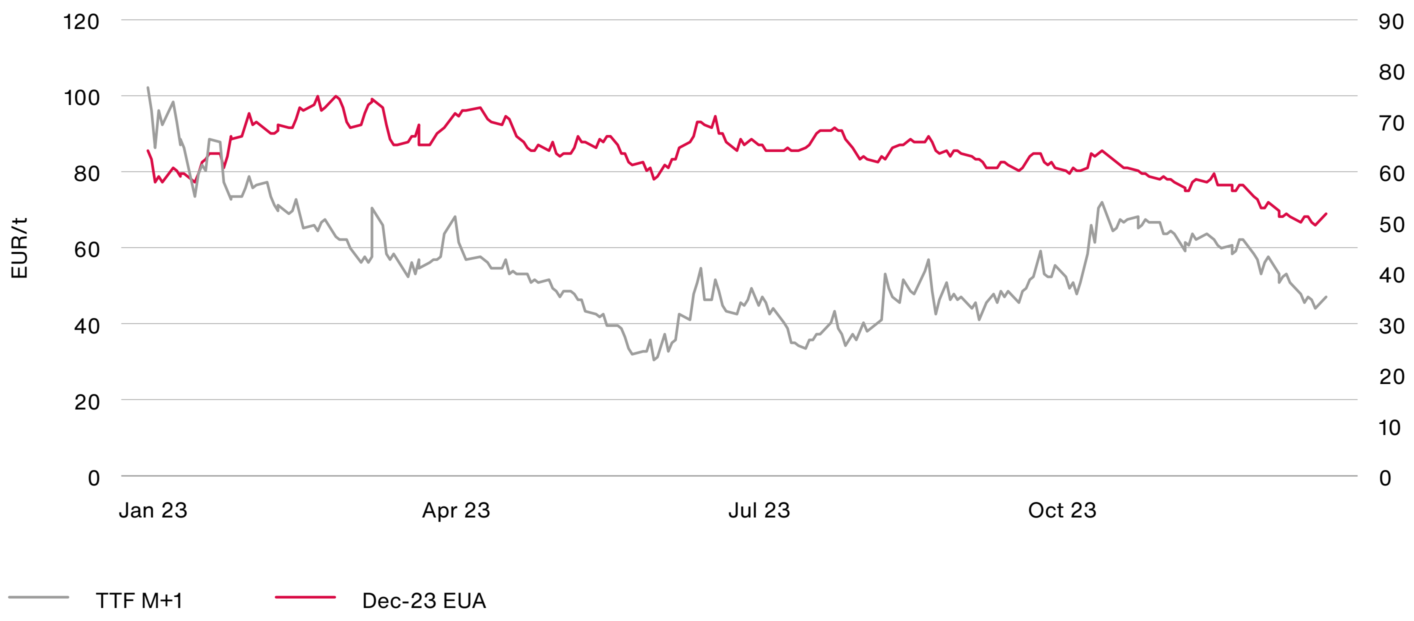


Figure 19: EUA prices in EUR/t.

Source: ICE, EP Commodities

1.5 EU Taxonomy regulation

EPH Group is currently in the assessment process of the alignment of its activities with the EU Taxonomy Regulation, a classification system establishing a list of environmentally sustainable economic activities which is supposed to direct investments towards sustainable projects. The results of this assessment will be disclosed as part of the EPH sustainability report for the year 2023.

Management Statement

2 Management Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Energetický a průmyslový holding, a.s. (further “the Company”) for the year ended 31 December 2023, which is prepared in accordance with the Czech accounting legislation.

The Statutory Financial Statements of the Company have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations and decrees applicable to entrepreneurs, in particular Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The Consolidated Financial Statements of the EPH Group have been prepared in accordance with International accounting standards (IAS) and International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), as adopted by the European Union.

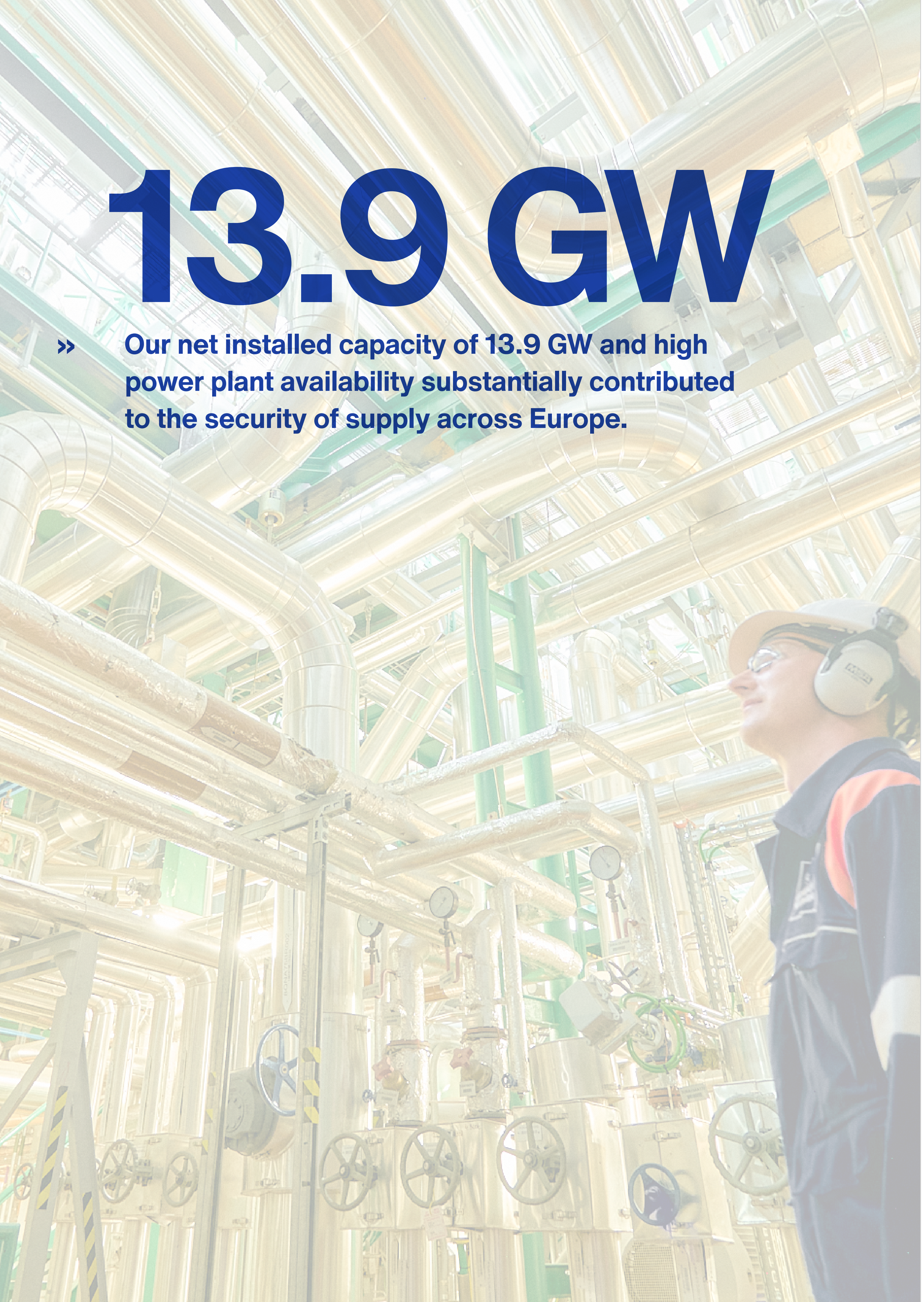
In our opinion, both accompanying financial statements give true and fair view of the assets, liabilities, financial position, profit or loss as well as cash flows for the financial year 2023.
In addition, the Group´s review of operations includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

We recommend the Annual Report for authorisation and approval at the Annual General Meeting.

Prague, 8 April 2024

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors



13.9 GW

» Our net installed capacity of 13.9 GW and high power plant availability substantially contributed to the security of supply across Europe.

Report on relations

Report on relations

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

prepared by the Board of Directors of **Energetický a průmyslový holding, a.s.** (“the Company”), with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, Corporate ID: 283 56 250, in accordance with Section 82 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended)

(the “**Report**”)

I. PREAMBLE

The Report has been prepared pursuant to Section 82 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended).

The Report has been submitted for review to the Company’s Supervisory Board in accordance with Section 83 (1) of the Business Corporations Act (Act No. 90/2012 Coll., as amended), and the Supervisory Board’s position will be communicated to the Company’s General Meeting deciding on the approval of the Company’s regular financial statements and on the distribution of the Company’s profits or the settlement of its loss.

The Report has been prepared for the 2023 reporting period.

II. STRUCTURE OF RELATIONS BETWEEN THE ENTITIES

CONTROLLED ENTITY

The controlled entity is Energetický a průmyslový holding, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, Corporate ID: 283 56 250, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, file 21747.

CONTROLLING ENTITY

EP Corporate Group, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Corporate ID: 086 49 197

INDIRECTLY CONTROLLING ENTITY

EP Investment S.à r.l.
Registered office: L-2314 Luxembourg, Place de Paris 2, Luxembourg
Reg. No.: B 184.488,
Legal form: société à responsabilité limitée

OTHER CONTROLLED ENTITIES

The structure of relations of the controlling entity, EP Investment S.à.r.l., and groups of entities controlled by this controlling entity is presented in Appendix 1 to this Report. The Appendix therefore does not include the complete ownership structure of EP Investment S.à.r.l., nor does it list shareholders with non-controlling interests.

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

ROLE OF THE CONTROLLED ENTITY

- strategic management of 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 to improve the entire group’s performance
- managing, acquiring, and disposing of the Company’s ownership interests and other assets

METHOD AND MEANS OF CONTROL

The controlling entity holds a majority share of voting rights in Energetický a průmyslový holding, a.s. over which it exercises a controlling influence.

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

During the accounting period 2023, the Company paid a profit share and a profit share prepayment in excess of 10% of the Company’s equity.

In addition, assignment agreements were signed by and between Energetický a průmyslový holding, a.s., EP Corporate Group, a.s., EP Power Europe, a.s. and EP Energy Transition, a.s. for the sale of equity investments in LEAG Holding, a.s., in Lausitz Energie Kraftwerke AG and in Lausitz Energie Bergbau in the aggregate amount exceeding 10% of the Company’s equity, individually listed under V.1.3.

Apart from the above, no other actions were taken in the interest or at the initiative of the controlling entity or entities controlled by the controlling entity during the 2023 reporting period that would relate to assets exceeding 10% of the controlled entity’s equity as presented in the latest financial statements.

V. AGREEMENTS CONCLUDED BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND OTHER RELATED ENTITIES

V. 1. 1.

IN 2023, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. GROUP WERE IN PLACE:

On 26 January 2017, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 14 March 2019, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing SK, a.s. as the creditor.

On 24 April 2019, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

On 18 July 2019, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 13 March 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

On 23 March 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and ABS PROPERTY LIMITED as the debtor.

On 14 December 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 22 December 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPIF Investments a.s. as the creditor.

On 16 December 2021, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 19 July 2022, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing CZ, a.s. as the creditor.

On 7 February 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 15 September 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EPH Financing International, a.s. as the debtor.

On 27 October 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Logistics International, a.s. as the debtor.

On 13 November 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing International, a.s. as the creditor.

On 20 December 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EPH Financing International, a.s. as the creditor.

IN 2023, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP CORPORATE GROUP, A.S. GROUP WERE IN PLACE:

On 30 June 2023, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Corporate Group, a.s. as the debtor.

IN 2023, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP POWER EUROPE, A.S. GROUP WERE IN PLACE:

On 1 December 2015, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources CZ a.s. (formerly EP Coal Trading, a.s.) as the debtor.

On 13 February 2017, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 1 August 2017, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 28 February 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Mehrum GmbH as the creditor.

On 31 December 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 20 October 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP France S.A.S. as the creditor.

On 27 October 2020, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources CZ a.s. (formerly EP Coal Trading, a.s.) as the debtor.

On 4 January 2021, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 22 March 2021, a loan agreement, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 15 September 2021, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 26 January 2022, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Produzione S.p.A. as the creditor.

On 18 February 2022, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Power Europe, a.s. as the creditor.

On 12 April 2022, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 11 October 2022, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 25 November 2022, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 19 December 2022, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 20 December 2022, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 16 February 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 29 May 2023, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 6 March 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Produzione S.p.A. as the debtor.

On 6 June 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Power Europe, a.s. as the creditor.

On 26 June 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Commodities, a.s. as the debtor.

On 26 June 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Netherlands B.V. as the debtor.

On 22 August 2023, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 4 September 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 31 October 2023, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Power Europe, a.s. as the debtor.

On 31 October 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Produzione S.p.A. as the debtor.

IN 2023, OTHER FOLLOWING LOAN AGREEMENTS WERE IN PLACE:

On 9 January 2023, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and 1890s holdings a.s. as the debtor.

V. 1. 2.

IN 2023, THE FOLLOWING GUARANTEE ISSUANCE AGREEMENTS AND GUARANTEE FEE AGREEMENTS WERE IN EFFECT BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND THE RELATED ENTITIES:

Aerodis
Biomasse Italia S.p.A.
C.S.E. Coulomb
Dynamo S.A.S.
Eggborough Power Limited
EP Cargo Invest a.s.
EP Centrale Tavazzano Montanaso S.p.A.
EP Commodities AG
EP Commodities, a.s.
EP Energy Developments Ltd.
EP France Management & Services
EP France S.A.S
EP Kilroot Limited
EP Logistics International, a.s.
EP NI Energy Limited
EP Power Europe, a.s.
EP Produzione S.p.A.
EP Resources AG
EP RESOURCES PL Spółka Akcyjna
EP UK Investments Ltd
Fiume Santo S.p.A.
Fusine Energia S.r.l. a socio unico
Gazel Energie Generation SAS
GAZEL ENERGIE RENOUVELABLES
Gazel Energie Solutions S.A.S.
Illico SAS
Lausitz Energie Kraftwerke AG
PZEM Energy Company B.V
RVA Consulting Engineers Limited
Surschiste
Tynagh Energy Limited

V. 1. 3.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP THAT WERE IN PLACE IN 2023:

On 1 August 2013, an ISDA 2002 Master Agreement and a Schedule to the 2002 Master Agreement were signed between Energetický a průmyslový holding, a.s. and EP Energy, a.s.

On 7 February 2023, a Personal Data Processing Agreement was signed between United Energy, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 7 February 2023, a Personal Data Processing Agreement was signed between Severočeská teplárenská, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 7 February 2023, a Personal Data Processing Agreement was signed between GABIT spol. s.r.o. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 20 February 2023, a Personal Data Processing Agreement was signed between NAFTA a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 21 February 2023, a Personal Data Processing Agreement was signed between PT měření, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 3 May 2023, a Personal Data Processing Agreement was signed between Stredoslovenská energetika, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 10 May 2023, a Personal Data Processing Agreement was signed between Stredoslovenská distribučná, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

On 1 June 2023, a Personal Data Processing Agreement was signed between SPP – distribúcia, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. GROUP THAT WERE IN PLACE IN 2023:

Financial guarantee for debts of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 10 February 2020.

On 28 February 2022, a Personal Data Processing Agreement was signed between EP Investment Advisors, s.r.o. as the processor and Energetický a průmyslový holding, a.s. as the controller.

On 25 April 2023, a Share Purchase Agreement for the shares in EP Power Minerals CZ was signed between EP Power Minerals GmbH, a.s. as the buyer and Energetický a průmyslový holding, a.s. as the seller.

On 27 April 2023, an agreement on the provision of an additional equity contribution was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Logistics International, a.s.

On 1 June 2023, a Personal Data Processing Agreement was signed between Plzeňská teplárenská, a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor.

Financial guarantee for debts of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 24 June 2022.

On 2 August 2023, a Personal Data Processing Agreement was signed between LokoTrain s.r.o. as the controller and Energetický a průmyslový holding, a.s. as the processor.

Financial guarantee for debts of EPH Financing International, a.s. issued by Energetický a průmyslový holding, a.s. on 12 October 2023.

On 27 October 2023, an agreement on the provision of an additional equity contribution was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Logistics International, a.s.

On 20 December 2023, an agreement on the provision of an additional equity contribution was signed between Energetický a průmyslový holding, a.s. as the shareholder and EPH Financing International, a.s.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP CORPORATE GROUP THAT WERE IN PLACE IN 2023:

On 20 December 2023, an agreement on the assignment of receivables was signed between Energetický a průmyslový holding, a.s. as the assignor, EP Corporate Group, a.s. as the assignee and EP Energy Transition, a.s. as the debtor.

On 20 December 2023, an agreement on the set-off of receivables was signed between Energetický a průmyslový holding, a.s. and EP Corporate Group, a.s.

On 27 December 2023, an agreement on the assignment of receivables was signed between Energetický a průmyslový holding, a.s. as the assignor, EP Corporate Group, a.s. as the assignee and EP Energy Transition, a.s. as the debtor.

On 27 December 2023, an agreement on the set-off of receivables was signed between Energetický a průmyslový holding, a.s. and EP Corporate Group, a.s.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP POWER EUROPE GROUP THAT WERE IN PLACE IN 2023:

SAP software rights transfer agreement concluded between EP UK Investments Ltd. and Energetický a průmyslový holding, a.s. as the supplier on 10 November 2017.

On 7 February 2023, an agreement on the provision of an additional equity contribution was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

On 19 May 2023, an agreement on the provision of an additional equity contribution was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

On 25 August 2023, an agreement on the provision of an additional equity contribution was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

On 20 December 2023, an agreement on the assignment of receivables was signed between Energetický a průmyslový holding, a.s. as the assignee and EP Power Europe, a.s. as the assignor and EP Energy Transition as the debtor.

On 20 December 2023, an agreement on the set-off of receivables was signed between Energetický a průmyslový holding, a.s. and EP Power Europe, a.s.

On 27 December 2023, an agreement on the assignment of receivables was signed between Energetický a průmyslový holding, a.s. as the assignee and EP Power Europe, a.s. as the assignor and EP Energy Transition as the debtor.

On 27 December 2023, an agreement on deposit was signed between Energetický a průmyslový holding, a.s. and EP Resources CZ a.s.

V. 1. 4.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING A.S. GROUP:

An agreement on the provision of support and advisory on acquisition projects was signed between EP Investment Advisors, s.r.o. as the provider and Energetický a průmyslový holding, a.s as the interested party on 10 December 2014.

A intermediation agreement was signed between EP Investment Advisors, s.r.o. as the intermediary, and Energetický a průmyslový holding, a.s. as the customer on 4 January 2016.

A sublease agreement concluded between EP Investment Advisors, s.r.o. as the tenant and Energetický a průmyslový holding, a.s. as the subtenant on 15 June 2017.

A professional services agreement concluded between EP Logistics International, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A professional services agreement concluded between EPIF Investments a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A professional services agreement concluded between EP Investment Advisors s.r.o. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A professional services agreement concluded between EP Investment Advisors s.r.o. as the provider and Energetický a průmyslový holding, a.s. as the ordering party on 28 February 2022.

A professional services agreement concluded between EP Slovakia B.V. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2022.

A professional services agreement concluded between ABS PROPERTY LIMITED as the ordering party and Energetický a průmyslový holding, a.s. as the provider, with effect from calendar year 2023.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE IN EP INFRASTRUCTURE, A.S. GROUP:

A professional services agreement concluded between EP Infrastructure, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A professional services agreement concluded between EP Infrastructure, a.s. as the provider and Energetický a průmyslový holding, a.s. as the ordering party on 12 April 2022.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE IN THE EP POWER EUROPE, A.S. GROUP:

An agreement on the transfer of rights to SAP software concluded between EP Power Minerals GmbH AG and Energetický a průmyslový holding, a.s. as the supplier on 23 December 2021.

A professional services agreement concluded between EP Power Europe, a.s. as the provider and Energetický a průmyslový holding, a.s. as the ordering party on 14 February 2022.

A professional services agreement concluded between EP Power Europe, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A consulting services agreement concluded between RVA Consulting Engineers Limited as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 19 October 2022.

A Personal Data Processing Agreement concluded between Slovenské elektrárne, a.s. as the provider and Energetický a průmyslový holding, a.s. as the intermediary on 13 April 2023.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EP CORPORATE GROUP A.S.:

A professional services agreement concluded between EP Corporate Group, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 20 February 2023.

A professional services agreement concluded between EP BidCo a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

A professional services agreement concluded between EP Real Estate a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 14 March 2023.

A professional services agreement concluded between Nadace EP Corporate Group as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EP INVESTMENT S.À R.L. GROUP:

A professional services agreement concluded between Resource Industry Investment, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2023.

A professional services agreement concluded between Resource Industry Investment Group a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2023.

A professional services agreement concluded between Resource Invest AG as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2023.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EP ENERGY TRANSITION, A.S. GROUP:

A professional services agreement concluded between EP Energy Transition, a.s. (formerly LEAG Innovative Energy) as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EP EQUITY INVESTMENT S.À R.L. GROUP:

A professional services agreement concluded between EP Equity Investment S.à r.l as the interested party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A Personal Data Processing Agreement was signed between EP Equity Investment S.à r.l as the interested party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

IN 2023, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EC INVESTMENTS A.S. GROUP:

A professional services agreement concluded between Košík.cz s.r.o. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 26 January 2023.

A Personal Data Processing Agreement was signed between Košík.cz s.r.o. as the controller and Energetický a průmyslový holding, a.s. as the processor on 26 January 2023.

A professional services agreement concluded between EC Investments a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 14 February 2022.

A professional services agreement concluded between DIVR LABS s.r.o. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

A professional services agreement concluded between FAST ČR, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

Report on relations

IN 2023, OTHER FOLLOWING OPERATING AGREEMENTS WERE IN PLACE:

A professional services agreement concluded between EP Global Commerce a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A professional services agreement concluded between EP Global Commerce GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A professional services agreement concluded between EP Global Commerce III GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A professional services agreement concluded between EP Global Commerce IV GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A professional services agreement concluded between EP Global Commerce V GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A professional services agreement concluded between EP Global Commerce VI GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A professional services agreement concluded between EP Global Commerce VII GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce GmbH as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce III GmbH as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce IV GmbH as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce V GmbH as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce VI GmbH as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A Personal Data Processing Agreement concluded between EP Global Commerce VII GmbH as the controller and Energetický a průmyslový holding, a.s. as the processor on 8 February 2023.

A professional services agreement concluded between Old Queen Street a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

A Personal Data Processing Agreement concluded between Old Queen Street a.s. as the controller and Energetický a průmyslový holding, a.s. as the processor on 15 February 2023.

A professional services agreement concluded between Paris Real Estate SNC as the interested party and Energetický a průmyslový holding, a.s. as the provider on 15 February 2023.

A professional services agreement concluded between NEW CO SAB 279 as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 20 February 2023.

A professional services agreement concluded between PERIGO a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider on 20 February 2023.

A Personal Data Processing Agreement concluded between NEW CO SAB 279 as the controller and Energetický a průmyslový holding, a.s. as the processor on 21 February 2023.

A professional services agreement concluded between SPRITER, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 23 February 2023.

A professional services agreement concluded between 1890s holdings a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider on 19 January 2023.

All the above contracts were concluded at arm's length. Energetický a průmyslový holding, a.s. incurred no harm based on these contracts.

V. 2.

OTHER JURIDICAL ACTS MADE BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND OTHER RELATED ENTITIES

Apart from the above, no other agreements were concluded between Energetický a průmyslový holding, a.s. and the related entities, and no supplies or considerations were provided between Energetický a průmyslový holding, a.s. and the related entities.

Energetický a průmyslový holding, a.s. did not adopt or carry out any other juridical acts or measures in the interest or at the initiative of related entities.

V. 3.

TRANSACTIONS, RECEIVABLES AND PAYABLES OF ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. VIS-À-VIS RELATED ENTITIES

The receivables and payables of Energetický a průmyslový holding, a.s. from/to related entities as of 31 December 2023 are disclosed in the notes to the financial statements, which form part of the consolidated annual report.

VI.

We hereby confirm that this Report on relations between related entities of Energetický a průmyslový holding, a.s., prepared pursuant to Section 82 (1) of the Act on Business Corporations and Cooperatives (Act No. 90/2012 Coll., as amended), for the reporting period from 1 January 2023 to 31 December 2023 we have included all information known as of the date of signing this report regarding the following:

- agreements between related entities
- supplies and considerations provided to related entities
- other juridical acts carried out in the interest of related entities, and
- all measures taken or implemented in the interest or at the initiative of related entities.

that was known to us as of the date of this Report.

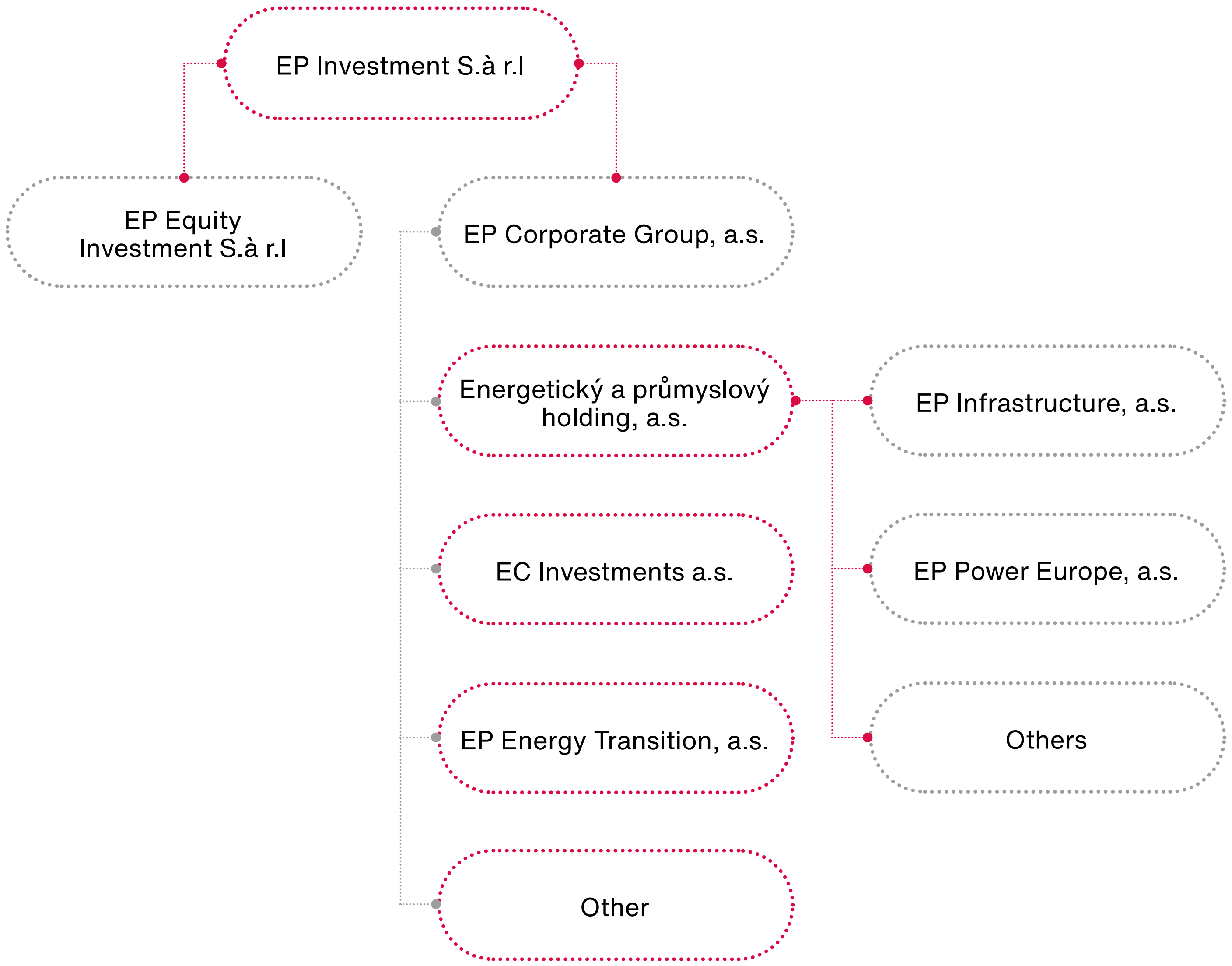
The Board of Directors of Energetický a průmyslový holding, a.s. further declares that Energetický a průmyslový holding, a.s. incurred no damage because of the actions of the controlling entity or of any entity controlled by the same entity. All transactions between the controlled entity and the controlling entity/entities controlled by the same controlling entity were concluded at arm's length. The contractual and other relations with related parties resulted in no loss or financial advantage or disadvantage to Energetický a průmyslový holding, a.s.

In Prague, on 31 March 2024

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors

Appendix 1


EP Investment S.à r.l
EP Equity Investment S.à r.l
EP Corporate Group, a.s.
Energetický a průmyslový holding, a.s.
EP Infrastructure, a.s.
EC Investments a.s.
EP Power Europe, a.s.
EP Energy Transition, a.s.
Others
Other

Consolidated Audit Report

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ID. No. 49620592
Tax ID. No. CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Energetický a průmyslový holding, 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 Energetický a průmyslový holding, a.s. and its subsidiaries (the "Group") prepared on the basis ofInternational Financial Reporting Standards (IFRS® Accounting Standards) adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application 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 and standalone 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 and standalone financial statements is, in all material respects, consistent with the consolidated and standalone 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 Company 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.

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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 IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 8 April 2024

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

Consolidated Financial Statements

EPH

Consolidated Financial Statements

as of and for the year ended 31 December 2023

Prepared in accordance
with International Financial Reporting Standards
as adopted by the European Union

Consolidated statement of comprehensive income

For the year ended 31 December 2023
In millions of EUR ("MEUR")

	Note	2023	2022
Revenues	7	**24,208**	**37,122**
Purchases and consumables	8	**(17,164)**	**(29,638)**
Subtotal		**7,044**	**7,484**
Services	9	(888)	(701)
Personnel expenses	10	(750)	(659)
Depreciation, amortization and impairment	15, 16	(827)	(874)
Emission rights, net	11	(1,522)	(1,555)
Negative goodwill	6	3	-
Own work, capitalized		36	33
Other operating income (expense), net	12	(333)	(256)
Profit from operations		**2,763**	**3,472**
Finance income	13	1,944	278
Change in impairment on financial instruments and other financial assets	13	(12)	136
Finance expense	13	(418)	(222)
Net finance income		**1,514**	**192**
Share of profit of equity accounted investees, net of tax	17	999	775
Gain from disposal of subsidiaries, joint ventures, joint operations and associates	6	96	227
Profit before income tax		**5,372**	**4,666**
Income tax expenses	14	(657)	(875)
Profit for the year		**4,715**	**3,791**
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment, net of tax	14, 15	479	-
Fair value reserve included in other comprehensive income, net of tax	14	(45)	98
Share of the other comprehensive income of equity accounted investees, net of tax		2	13

	Note	2023	2022
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	14	(62)	(19)
Effective portion of changes in fair value of cash-flow hedges, net of tax	14	218	688
Share of the other comprehensive income of equity accounted investees, net of tax		441	(546)
Share of the other comprehensive income of equity accounted investees reclassified to profit or loss on disposal, net of tax		53	-
Other comprehensive income for the year, net of tax		**1,086**	**234**
Total comprehensive income for the year		**5,801**	**4,025**
Profit attributable to:			
Owners of the Company		4,389	3,350
Non-controlling interest	23	326	441
Profit for the year		**4,715**	**3,791**
Total comprehensive income attributable to:			
Owners of the Company		4,959	3,477
Non-controlling interest	23	842	548
Total comprehensive income for the year		**5,801**	**4,025**

The notes presented on pages 114 to 304 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2023
In millions of EUR ("MEUR")

	Note	31 December 2023	31 December 2022
Assets			
Property, plant and equipment	15	12,697	11,649
Intangible assets and goodwill	16	749	627
Investment property		21	21
Equity accounted investees	17	874	1,221
Restricted cash		23	18
Financial instruments and other financial assets	27	546	740
Trade receivables and other assets	20	419	391
Prepayments and other deferrals		8	4
Deferred tax assets	18	270	295
Total non-current assets		**15,607**	**14,966**
Inventories, extracted minerals and mineral products	19	1,007	1,318
Trade receivables and other assets	20	3,689	5,313
Contract assets		75	100
Financial instruments and other financial assets	27	4,718	5,508
Prepayments and other deferrals		102	127
Current income tax receivable	14	140	88
Restricted cash		33	22
Cash and cash equivalents	21	3,502	3,010
Total current assets		**13,266**	**15,486**
Total assets		**28,873**	**30,452**
Equity			
Share capital	22	161	161
Reserves	22	1,249	723
Retained earnings		3,629	2,595
Total equity attributable to equity holders		**5,039**	**3,479**
Non-controlling interest	23	4,171	3,651
Total equity		**9,210**	**7,130**

	Note	31 December 2023	31 December 2022
Liabilities			
Loans and borrowings	24	7,460	7,039
Financial instruments and financial liabilities	27	173	441
Provisions	25	1,430	1,246
Deferred income	26	84	83
Contract liabilities		120	108
Deferred tax liabilities	18	2,044	1,929
Trade payables and other liabilities	28	20	92
Total non-current liabilities		**11,331**	**10,938**
Trade payables and other liabilities	28	3,133	4,316
Contract liabilities		105	71
Loans and borrowings	24	870	668
Financial instruments and financial liabilities	27	2,157	4,752
Provisions	25	1,578	1,867
Deferred income	26	57	64
Current income tax liability	14	432	646
Total current liabilities		**8,332**	**12,384**
Total liabilities		**19,663**	**23,322**
Total equity and liabilities		**28,873**	**30,452**

The notes presented on pages 114 to 304 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2023
In millions of EUR ("MEUR")

	Note	Attributable to owners of the Company: Share capital	Share premium	Reserves: *Other capital funds from capital contributions*	*Non-distributable reserves*	*Translation reserve*	*Fair value reserve*	*Revaluation value reserve*	*Other capital reserves*	*Hedging reserve*	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2023 (A)		**161**	**-**	**23**	**18**	**(132)**	**111**	**895**	**(56)**	**(136)**	**2,595**	**3,479**	**3,651**	**7,130**
Total comprehensive income for the year:														
Profit or loss (B)		-	-	-	-	-	-	-	-	-	**4,389**	**4,389**	**326**	**4,715**
Other comprehensive income:														
Foreign currency translation differences for foreign operations	14, 22	-	-	-	-	(41)	-	-	-	-	-	(41)	(21)	**(62)**
Fair value reserve included in other comprehensive income, net of tax	14, 22	-	-	-	-	-	(44)	-	-	-	-	(44)	(1)	**(45)**
Revaluation reserve included in other comprehensive income, net of tax	14, 22	-	-	-	-	-	-	162	-	-	-	162	317	**479**
Effective portion of changes in fair value of cash-flow hedges, net of tax	14, 22	-	-	-	-	-	-	-	-	(3)	-	(3)	221	**218**
Share of the other comprehensive income of equity accounted investees, net of tax		-	-	-	-	**(1)**	2	-	-	442	-	443	-	**443**
Share of the other comprehensive income of equity accounted investees reclassified to profit or loss on disposal, net of tax		-	-	-	-	**-**	-	-	-	53	-	53	-	**53**
Total other comprehensive income (C)		**-**	**-**	**-**	**-**	**(42)**	**(42)**	**162**	**-**	**492**	**-**	**570**	**516**	**1,086**
Total comprehensive income for the year (D) = (B + C)		**-**	**-**	**-**	**-**	**(42)**	**(42)**	**162**	**-**	**492**	**4,389**	**4,959**	**842**	**5,801**
Contributions by and distributions to owners:														
Increase of share capital		-	-	-	-	-	-	-	-	-	-	-	4	**4**
Dividends to equity holders	23	-	-	-	-	-	-	-	-	-	(3,384)	(3,384)	(341)	**(3,725)**
Transfer to retained earnings		-	-	-	-	-	-	(33)	-	-	33	-	-	**-**
Total contributions by and distributions to owners (E)		**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**-**	**-**	**(3,351)**	**(3,384)**	**(337)**	**(3,721)**
Changes in ownership interests in subsidiaries:														
Effect of disposed entities	6	-	-	-	(1)	-	(10)	-	-	-	11	-	-	**-**
Effect of changes in shareholding on non-controlling interest	6	-	-	-	-	-	-	-	-	-	(15)	(15)	15	**-**
Total changes in ownership interests in subsidiaries		**-**	**-**	**-**	**(1)**	**-**	**(10)**	**-**	**-**	**-**	**(4)**	**(15)**	**15**	**-**
Total transactions with owners (F)		**-**	**-**	**-**	**(1)**	**-**	**(10)**	**(33)**	**-**	**-**	**(3,355)**	**(3,399)**	**(322)**	**(3,721)**
Balance at 31 December 2023 (G) = (A + D + F)		**161**	**-**	**23**	**17**	**(174)**	**59**	**1,024**	**(56)**	**356**	**3,629**	**5,039**	**4,171**	**9,210**

The notes presented on pages 114 to 304 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

In millions of EUR ("MEUR")

				Attributable to owners of the Company										
				Reserves										
	Note	Share capital	Share premium	*Other capital funds from capital contributions*	*Non-distributable reserves*	*Translation reserve*	*Fair value reserve*	*Revaluation value reserve*	*Other capital reserves*	*Hedging reserve*	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2022		**170**	**64**	**23**	**17**	**(117)**	**1**	**925**	**(54)**	**(195)**	**874**	**1,708**	**3,195**	**4,903**
Adjustment on change of functional currency of the parent entity		(9)	(64)	-	(1)	25	2	-	(2)	2	47	-	-	**-**
Adjustment on initial application of IAS 37 amendment to onerous contract		-	-	-	-	-	-	-	-	-	(173)	(173)	-	**(173)**
Adjusted balance at the beginning of the year 2022 (A)		**161**	**-**	**23**	**16**	**(92)**	**3**	**925**	**(56)**	**(193)**	**748**	**1,535**	**3,195**	**4,730**
Total comprehensive income for the year:		-	-	-	-	-	-	-	-	-	-	-	-	-
Profit or loss (B)		-	-	-	-	-	-	-	-	-	3,350	3,350	441	**3,791**
Other comprehensive income:														
Foreign currency translation differences for oreign operations	14, 22	-	-	-	-	(39)	-	-	-	-	-	(39)	20	**(19)**
Fair value reserve included in other comprehensive income, net of tax	14, 22	-	-	-	-	-	95	-	-	-	-	95	3	**98**
Revaluation reserve included in other comprehensive income, net of tax	14, 22	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Effective portion of changes in fair value of cash-flow hedges, net of tax	14, 22	-	-	-	-	-	-	-	-	604	-	604	84	**688**
Share of the other comprehensive income of equity accounted investees, net of tax		-	-	-	-	1	13	-	-	(547)	-	(533)	-	**(533)**
Total other comprehensive income (C)		**-**	**-**	**-**	**-**	**(38)**	**108**	**-**	**-**	**57**	**-**	**127**	**107**	**234**
Total comprehensive income for the year (D) = (B + C)		**-**	**-**	**-**	**-**	**(38)**	**108**	**-**	**-**	**57**	**3,350**	**3,477**	**548**	**4,025**
Contributions by and distributions to owners:														
Dividends to equity holders	23	-	-	-	-	-	-	-	-	-	(1,533)	(1,533)	(90)	**(1,623)**
Transfer to retained earnings		-	-	-	-	-	-	(30)	-	-	30	-	-	**-**
Transfer to non-distributable reserves – creation of legal fund		-	-	-	2	-	-	-	-	-	(1)	1	-	**1**
Total contributions by and distributions to owners (E)		**-**	**-**	**-**	**2**	**-**	**-**	**(30)**	**-**	**-**	**(1,504)**	**(1,532)**	**(90)**	**(1,622)**
Changes in ownership interests in subsidiaries:														
Effect of disposed entities	6	-	-	-	-	(2)	-	-	-	-	-	(2)	(3)	**(5)**
Effect of acquisitions through business combinations	6	-	-	-	-	-	-	-	-	-	-	-	2	**2**
Effect of changes in shareholding on non-controlling interest	6	-	-	-	-	-	-	-	-	-	1	1	(1)	**-**
Total changes in ownership interests in subsidiaries		**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**1**	**(1)**	**(2)**	**(3)**
Total transactions with owners (F)		**-**	**-**	**-**	**2**	**(2)**	**-**	**(30)**	**-**	**-**	**(1,503)**	**(1,533)**	**(92)**	**(1,625)**
Balance at 31 December 2022 (G) = (A + D + F)		**161**	**-**	**23**	**18**	**(132)**	**111**	**895**	**(56)**	**(136)**	**2,595**	**3,479**	**3,651**	**7,130**

The notes presented on pages 114 to 304 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2023
In millions of EUR ("MEUR")

	Note	2023	2022
OPERATING ACTIVITIES			
Profit for the year		4,715	3,791
Adjustments for:			
Income tax expenses	14	657	875
Depreciation, amortization and impairment	15, 16	827	874
Dividend income	13	(6)	(7)
Change in impairment on financial instruments and other financial assets	13	12	(136)
Non-cash (gain) loss from commodity and freight derivatives, net		220	(1,535)
(Gain) loss on disposal of property, plant and equipment and intangible assets	12	3	(1)
Emission rights, net	11	1,522	1,555
Share of profit of equity accounted investees	17	(999)	(775)
Gain from disposal of subsidiaries, joint ventures, joint operations and associates	6(d)	(96)	(227)
Gain from financial instruments	13	(1,678)	(241)
Net interest expense	13	254	143
Change in allowance for impairment to trade receivables and other assets, write-offs	13	99	90
Change in provisions	25	(38)	(35)
Negative goodwill	6	(3)	-
Other finance fees		-	10
Unrealized foreign exchange gains, net		(105)	(57)
Operating profit before changes in working capital		**5,384**	**4,324**
Change in trade receivables, other assets, prepayment and other deferrals and contract assets		2,754	(1,639)
Change in inventories, extracted minerals and mineral products		141	(708)
Purchase and sale of emission rights		(1,679)	(1,219)
Change in trade payables and other liabilities, deferred income and contract liabilities		(1,975)	1,796
Change in restricted cash		(16)	(17)
Cash generated from (used in) operations		**4,609**	**2,537**
Income taxes paid		(989)	(407)
Cash flows generated from (used in) operating activities		**3,620**	**2,130**

	Note	2023	2022
INVESTING ACTIVITIES			
Dividends received from associates and joint ventures		7	4
Dividends received, other		3	7
Purchase of financial instruments		(2)	(37)
Issue (repayment) of bills of exchange		(213)	171
Loans provided to other entities		(404)	(1,766)
Repayment of loans provided to other entities		397	1,505
Proceeds from sale/settlement of financial instruments		93	10
Acquisition of property, plant and equipment and intangible assets (including advances paid)	5	(857)	(752)
Proceeds from sale of property, plant and equipment and intangible assets		19	15
Acquisition of associates and joint ventures	6	-	(60)
Acquisition of subsidiaries and joint operations, net of cash acquired	6	(456)	(15)
Net cash inflow from disposal of subsidiaries	6	-	(4)
Increase in participation in existing subsidiaries, joint ventures, joint operations and associates	6	4	2
Capital contributions paid to (from) associates and joint ventures		2	(2)
Interest received		75	44
Cash flows from (used in) investing activities		**(1,332)**	**(878)**
FINANCING ACTIVITIES			
Proceeds from borrowings received	24	4,839	2,458
Repayment of borrowings	24	(5,152)	(1,795)
Proceeds from bonds issued, net of transaction fees	24	538	98
Repayment of bonds issued	24	(203)	(146)
Finance fees paid from borrowings and bonds issued	24	(31)	(6)
Payment of lease liabilities	24, 30	(71)	(70)
Interest paid	24	(298)	(156)
Dividends paid to associates and joint ventures	24	-	(14)
Dividends paid to non-controlling interests	24	(202)	(81)
Dividends paid to the owners of the Company	24	(1,216)	(1,032)
Cash flows from (used in) financing activities		**(1,796)**	**(744)**
Net increase (decrease) in cash and cash equivalents		*492*	*508*
Cash and cash equivalents at beginning of the year		**3,010**	**2,497**
Effect of exchange rate fluctuations on cash held		-	5
Cash and cash equivalents at end of the year		**3,502**	**3,010**

The notes presented on pages 114 to 304 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background

Energetický a průmyslový holding, a.s. (the “Parent Company” or “the Company” or “EPH”) is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded on 7 August 2009 and entered in the Commercial Register on 10 August 2009.

The main activities of the Company are corporate investments in the energy infrastructure and power generation. Besides energy infrastructure and power generation activities the Group also operates in logistics.

The consolidated financial statements of the Company for the year ended 31 December 2023 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates, joint ventures and joint operations (together referred to as the “Group” or the “EPH Group”). The Group entities are listed in Appendix 2.

The shareholders of the Company as at 31 December 2023 were as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	90	56.00 + 1 share	56.00 + 1 share
J&T ENERGY HOLDING, a.s.	71	44.00 - 1 share	44.00 - 1 share
Total	**161**	**100.00**	**100.00**

The shareholders of the Company as at 31 December 2022 were as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	90	56.00 + 1 share	56.00 + 1 share
J&T ENERGY HOLDING, a.s.	71	44.00 - 1 share	44.00 - 1 share
Total	**161**	**100.00**	**100.00**

The members of the Board of Directors of the Company as at 31 December 2023 were:

- JUDr. Daniel Křetínský (Chairman of the Board of Directors)
- Mgr. Marek Spurný (Member of the Board of Directors)
- Mgr. Pavel Horský (Member of the Board of Directors)
- Ing. Jan Špringl (Member of the Board of Directors)

TRANSACTION OVERVIEW RELATED TO THE SHAREHOLDER STRUCTURE OF EPH GROUP

No changes in the shareholder structure occurred in the years ended 31 December 2023 and 31 December 2022.

2. Basis of preparation

A STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS ® Accounting Standards) adopted by the European Union.

The consolidated financial statements were approved by the Board of Directors on 8 April 2024.

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:

- gas transmission pipelines and gas distribution pipelines at revalued amounts;
- gas inventories for trading at fair value less cost to sell;
- investment properties;

- derivative financial instruments;
- non-derivative financial instruments at fair value through profit or loss;
- 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 described in the following paragraphs have been consistently applied by the Group entities and between accounting periods.

C RECENT DEVELOPMENTS AND KEY EVENTS FOR THE GROUP

MACROECONOMIC AND GEOPOLITICAL ENVIRONMENT

In the context of the ongoing military invasion in the territory of Ukraine and associated sanctions targeting the Russian Federation, the Parent Company has identified risks and adopted appropriate measures to mitigate impacts on Group's business activities. Based on the information available and current developments, the Parent Company's management has been continuously analysing the situation and assessing its direct impact on the Group. The Parent Company's management has assessed the potential impacts of this situation on Group's operations and concluded that they do not currently have a material impact on 2023 financial statements or going concern assumption in 2024. However, further negative developments as regards this situation cannot be ruled out, which could subsequently have a material negative impact on the Company, its businesses, financial condition, results, cash flows and overall outlook.

D FUNCTIONAL AND PRESENTATION CURRENCY

The Company's functional currency is Euro („EUR"). The consolidated financial statements are prepared in Euro, which also the Group's presentation currency. All financial information presented in Euros has been rounded to the nearest million.

E USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS Accounting 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 judgment 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 of resulting in a material adjustment in the following years is included in the following notes:

- Notes 6, 15 and 16 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of property, plant and equipment and goodwill;
- Note 7 – revenues;
- Note 15 – measurement of gas transmission and gas distribution pipelines at revalued amounts;
- Note 19 – measurement of inventories for trading at fair value less cost to sell;
- Note 25 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 24, 27 and 31 – valuation of loans and borrowings and financial instruments;
- Note 33 – litigations.

MEASUREMENT OF FAIR VALUES

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 significant 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 Accounting Standards, 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 a 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 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).

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has 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 6 and 16 – accounting for business combinations, measurement of goodwill/negative goodwill, impairment testing of goodwill;
- Note 7 – judgements relating to recognition of revenues from customers;
- Note 15 – assessment that IFRIC 12 and IFRS 16 is not applicable to the gas transmission and gas distribution pipelines, power distribution networks, gas storage facilities and heat infra facilities and distribution network;
- Note 6 and 23 – information relating to assessment of control over subsidiaries;
- Note 25 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 27 – own use exemption application for forward contracts on power and CO_2 emission allowances;
- Note 27 and 31 – hedge accounting application;
- Note 28 – classification of transactions which contain a financing element.

F RECENTLY ISSUED ACCOUNTING STANDARDS

I. NEWLY ADOPTED IFRS ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023 THAT HAVE BEEN APPLIED IN PREPARING THE GROUP'S FINANCIAL STATEMENTS

The following paragraphs provide a summary of the key requirements of IFRS Accounting Standards that are effective for annual periods beginning on or after 1 January 2023 and that have thus been applied by the Group for the first time.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment modifies an exemption from the initial recognition of deferred tax asset and liability arising from a single transaction that is not a business combination and does not impact accounting and taxable profit. For transactions in which equal deductible and taxable temporary differences arise (e.g. leases and decommissioning liabilities and assets), the entity is required to recognize deferred tax asset and liability and initial recognition exemption does not apply.

The Group has adopted Amendment to IAS 12 from 1 January 2023. For leases and decommissioning items, the Group is required to recognize associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented (i.e. 1 January 2022), with any cumulative effect recognized in retained earnings. There was no impact on the statement of financial position because the balances qualify for offset under IAS 12 and therefore no impact on the retained earnings as at 1 January 2022. The impact of the amendment to the detailed disclosure of deferred tax assets and liabilities was immaterial.

Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

The amendment introduces a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and disclosure requirements for affected entities. Entities do not recognize deferred tax assets and liabilities related to the OECD Pillar Two income taxes and no disclosure about these deferred taxes is required. In period(s) in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, entities disclose known or reasonably estimable information to help users understand the entity's exposure to Pillar Two income taxes arising from the legislation. The amendment is applicable immediately upon issue and disclosure requirements are applicable for annual periods beginning on or after 1 January 2023.

The amendment has had an impact on the disclosure in the notes to the consolidated financial statements of the Group. Refer to Note 14 – Income tax expenses for more details.

Newly adopted IFRS Accounting Standards, Amendments to Standards and Interpretations with no material impact on the Group's financial statements:

- IFRS 17 Insurance Contracts and Amendment to IFRS 17;
- Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendments to IAS 8 – Definition of Accounting Estimates.

II. IFRS ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following significant Amendments to IFRS Accounting Standards have been issued but are not yet effective for the period ended 31 December 2023 and thus have not been adopted by the Group:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Effective for annual reporting periods beginning on or after 1 January 2024)

The amendment Classification of Liabilities as Current or Non-current clarifies how to classify debt and other liabilities as current or non-current and how to determine whether in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment includes clarifying the classification requirements for debt a company might settle by converting it into equity. The amendment Non-current Liabilities with Covenants improves the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback (Effective for annual reporting periods beginning on or after 1 January 2024)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted as a sale. The seller-lessee subsequently measures lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements (Effective for annual reporting periods beginning on or after 1 January 2024 (not adopted by EU yet))

The amendments require entities to provide additional disclosures about its supplier finance arrangements to enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and the entity's exposure to liquidity risk.

The Group is currently reviewing possible impact of the amendments to its financial statements.

Amendments to IAS 21 – Lack of Exchangeability (Effective for annual reporting periods beginning on or after 1 January 2025 (not adopted by EU yet))

Under the amendments, the entities are required to apply a consistent approach to assessing whether a currency is exchangeable into another currency. When a currency is not exchangeable, the amendments define how to determine the exchange rate to use and the disclosures the entity is required to provide.

The Group is currently reviewing possible impact of the amendments to its financial statements.

The Group has not early adopted any amendments to IFRS Accounting Standards where adoption is not mandatory at the reporting date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the Standards prospectively from the date of transition.

3. Material accounting policies

The EPH Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements, except as described in Note 2(f) and 3(a).

Certain comparative amounts in the consolidated statement of financial position have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

A CHANGES IN ACCOUNTING POLICIES AND TERMINOLOGY

REVENUE CAP

Expenses related to revenue cap are reported in income statement as a part of expenses within line item in Purchases and consumables. Liability arising from revenue cap contributions is reported as a liability from other taxes.

INTEREST IN JOINT OPERATIONS

Since financial year 2023, EPH Group has been also involved in joint operations. A joint operation is an arrangement in which the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

On a date a joint control over a joint operation arises, the Group applies acquisition method as defined by IFRS 3 and measures its assets and liabilities in a joint operation (including its share of any assets and liabilities held jointly) at fair values as at the date the joint control commences. Purchase price or any form of consideration transferred is also measured at fair value. Acquisition related costs are recognized in profit or loss as incurred.

Excess of the consideration transferred over the Group's share of fair value of the net identifiable assets of the joint operation is recognized as goodwill. If the Group's share of the fair value of identifiable assets and liabilities exceeds the consideration transferred, the excess is recognized in profit and loss in the period the joint control arises.

When the Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets and liabilities (including its share of any assets and liabilities held jointly);
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses (including its share of any expenses incurred jointly).

When a Group entity transacts with a joint operation in which a Group entity is a joint operator, the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statement only to the extent of other parties' interests in the joint operation.

The financial statements of joint operations are included in the consolidated financial statements from the date that joint control commences until the date that joint control ceases. On disposal, when the significant risks and rewards of ownership have been transferred to the buyer, gain or loss from the sale of investments in joint operation is recognised in profit or loss and included in line item "Gain (loss) from disposal of subsidiaries, joint ventures, joint operations and associates".

CHANGES IN PRESENTATION IN STATEMENT OF CASH FLOWS

In 2023, the Group changed presentation in consolidated statement of cash flows as follows:

- interest paid is presented within financing activities, instead of operating activities;
- purchases and sales of emission rights are presented within operating activities on a net basis in line item „Purchase and sale of emission rights", instead of investing activities on a gross basis.

Comparative information has been adjusted accordingly.

B BASIS OF CONSOLIDATION

I. SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over the investee, exposure to variable returns from its involvement with the investee and is able to use its power over investee to affect the amount of its returns. The existence and effect of potential voting rights that are substantive is considered when 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 control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

II. EQUITY ACCOUNTED INVESTEES

Associates are enterprises in which the Group has significant influence, but not control, over financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost. Acquisition related costs are recognized in cost of the investment. Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment; any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The consolidated financial statements include the Group's share of the total profit or loss and other comprehensive income of associates from the date that the significant influence commences until the date that the significant influence ceases. When the Group's share of losses, including Group's share of negative other comprehensive income, exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses or further negative other comprehensive income is discontinued, except to the extent that the Group has incurred obligations in respect of or has made payments on behalf of the associate.

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 recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements (i.e. value at cost as at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or negative goodwill was recognized on these acquisitions.

ACQUISITION METHOD AND PURCHASE PRICE ALLOCATION

As at the acquisition date the Group measures identifiable assets acquired and the liabilities assumed at fair value, with the exception of deferred tax assets and liabilities, assets or liabilities related to employee benefits and assets/disposal groups classified as held for sale under IFRS 5, which are recognized and measured in accordance with the respective standards.

Purchase price or any form of consideration transferred in a business combination is also measured at fair value. Contingent consideration is measured at fair value at the date of acquisition and subsequently remeasured at fair value at each reporting date, with changes in fair value recognized in profit or loss.

Acquisition related costs are recognized in profit or loss as incurred.

IV. NON-CONTROLLING INTERESTS

Acquisitions of non-controlling interest are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill and no gain or loss is recognised as a result of such transactions.

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

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

V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

VI. UNIFICATION OF ACCOUNTING POLICIES

The accounting policies and procedures applied by the consolidated companies in their financial statements were unified in the consolidation and are aligned with the accounting policies applied by the Parent Company.

VII. PRICING DIFFERENCES

The Group accounted for pricing differences which arose from establishment of the Group and acquisition of certain new subsidiaries in the subsequent period. Such subsidiaries were acquired under common control of J&T Finance Group (which held controlling interest in the Group at the time of acquisition of the subsidiaries), and therefore excluded from scope of IFRS 3, which defines 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. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of J&T Finance Group, 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 as at acquisition date were recorded to consolidated equity as pricing differences presented within other capital reserves.

VIII. REVERSAL OF ACCUMULATED AMORTIZATION, DEPRECIATION AND BAD DEBT ALLOWANCES IN COMMON CONTROL ACQUISITIONS

Accumulated amortisation and depreciation of intangible and tangible assets acquired as part of a common control transaction were reversed against the gross carrying amount of the underlying intangible and tangible assets, i.e. the intangible and tangible assets were recognised at their net book values as at acquisition date.

Similarly, in acquisitions involving common control transactions, any bad debt allowances were reversed against gross amounts of purchased receivables as at acquisition date.

IX. DISPOSAL OF SUBSIDIARIES, JOINT OPERATIONS AND EQUITY ACCOUNTED INVESTEES

Gain or loss from disposal of investments in subsidiaries, joint operations and equity accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

If the assets and liabilities are disposed by selling the interest in a subsidiary, a joint venture, a joint operation or an associate, the profit or loss from sale is recognised in total under Gain (loss) from disposal of subsidiaries, joint ventures, joint operations and associates 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 acquisition (refer to Note 3(b) vii – Pricing differences), pricing differences are reclassified from other capital reserves to retained earnings at the date of the subsidiary's disposal.

C FOREIGN CURRENCY

I. FOREIGN CURRENCY TRANSACTIONS

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). Company's functional currency is Euro. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate at the transaction date. The consolidated financial statements are prepared and presented in Euro, which is both the functional and the presentation currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the respective functional currencies of Group entities at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies at the foreign exchange rates at the dates the fair values are determined.

Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of FVOCI equity instruments or qualifying cash flow hedges to the extent that the hedge is effective, in which case foreign exchange differences arising on retranslation 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. TRANSLATION OF FOREIGN OPERATIONS

These consolidated financial statements are prepared in Euro. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Euro at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro using average exchange rate for the period. For significant transactions the exact foreign exchange rate is used.

Foreign exchange differences arising on translation of foreign operations are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. At disposal, relevant part of translation reserve is recycled to income statement and included in gain (loss) from disposal of subsidiaries, joint ventures, joint operations and associates in the consolidated statement of comprehensive income.

D 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. 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 is measured at *amortized 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 instruments* are 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 equity securities classified as financial assets *at fair value through other comprehensive income*.

All investments in equity instruments and contracts on those instruments are 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 uses fair value. Cost is never the best estimate of fair value for investments in quoted instruments.

A financial asset is 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, at initial recognition, irrevocably designate a financial asset, that would be measured at amortized cost or at FVOCI, as measured at fair value through profit or loss if doing so eliminates or significantly reduces a 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 them on different bases.

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 amortized cost are subsequently measured at amortized cost using effective interest rate method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. 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.

E NON-DERIVATIVE FINANCIAL LIABILITIES

The Group has the following non-derivative financial liabilities: loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. Such financial liabilities are initially recognised at the settlement date at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit and 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.

Transactions for the purchase of commodities may contain a financing element such as extended payment terms. Such items are presented as trade payables if the financing element is insignificant, payment terms are consistent with supply terms commonly provided in the market and the financing period does not exceed 90 days after the physical supply of the commodity.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

F DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

TRADING DERIVATIVES

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

SEPARABLE EMBEDDED DERIVATIVES

Financial and non-financial contracts that are financial liabilities within the scope of IFRS 9 (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. In the case of hybrid contracts where host contracts are financial assets the whole contract is assessed with respect to SPPI criteria.

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

CASH FLOW HEDGES AND FAIR VALUE HEDGES

The financial derivatives, which do not meet the criteria for hedge accounting as stated by IFRS 9 are classified as for trading and related profit and loss from changes in fair value is recognised in profit and 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 still expected to occur then the balance remains in equity and is recycled to profit or loss when the hedged transaction impacts profit or loss.

In the case of a fair value hedge, 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.

TRANSACTIONS WITH EMISSION RIGHTS AND ENERGY

According to IFRS 9, certain contracts for emission rights and energy fall into the scope of the standard. Purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended for consumption or sale as part of its ordinary business. Such contracts are thus excluded from the scope of IFRS 9.

In particular, forward purchases and sales settled by delivery of the underlying are considered to fall outside the scope of application of IFRS 9, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- delivery of the underlying takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements;
- the Group does not have a practice of settling similar contracts net in cash or another financial instrument or by exchanging financial instrument;
- the Group does not have a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuation in price or dealer's margin.

Contracts which do not meet above mentioned conditions fall under the scope of IFRS 9 and are accounted for in line with the requirements of IFRS 9. When for similar contracts the Group has practice of net settlement, a two-book structure and a strict separation of own-use book and trading book is applied.

For each contract where own-use exemption applies, the Group determines whether the contract leads to physical settlement in accordance with Group's expected purchase, sale or usage requirements. The Group considers all relevant factors including the quantities delivered under the contract and the corresponding requirements of the entity, the delivery locations, the duration between contract signing and delivery and the existing procedure followed by the entity with respect to contracts of this kind.

Contracts which fall under the scope of IFRS 9 are carried at fair value with changes in the fair value recognised in profit or loss.

G CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturities of three months or less.

H INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Purchased inventory and inventory in transit are initially stated at cost, which includes the purchase price and other directly attributable expenses incurred in acquiring the inventories and bringing them to their current location and condition. Inventories of a similar nature are valued using the weighted average method except for the energy production segment, where the first-in, first-out principle is used.

Internally manufactured inventory and work in progress are initially stated at production costs. Production costs include direct costs (direct material, direct labour and other direct costs) and part of overhead directly attributable to inventory production (production overhead). The valuation is written down to the net realisable value if the net realisable value is lower than production costs.

Inventories used for trading purposes are recognized at fair value less cost to sell. Changes in value are recognized in consolidated income statement in the year in which they occur.

I IMPAIRMENT

I. NON-FINANCIAL ASSETS

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (h) – Inventories), investment properties (refer to accounting policy (l) – Investment property) and deferred tax assets (refer to accounting policy (r) – Income taxes) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is 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 time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects 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 together into the smallest group of assets that generates 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 and is not larger than an operating segment before aggregation. 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 profit or loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU or CGUs, and then 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. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting 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 separately. 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 an 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 amortized 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;
- 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.

Financial assets 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;

(b) the Group negotiates with the debtor in a financial difficulty about debt's restructuring;

(c) the probability of default 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).

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 (e.g. a financial asset is overdue for more than 90 days, insolvency or similar proceedings have been initiated with the debtor, the probability of default of the borrower increases by 100% compared to the previous rating).

For the purposes of ECL calculation, the Group uses components needed for the calculation, namely probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Forward-looking information means any macroeconomic factor projected for future, which has a significant impact on the development of credit losses ECLs are present values of probability-weighted estimate of credit losses. The Group considers mainly expected growth of gross domestic product, reference interest rates, stock exchange indices or unemployment rates.

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 OCI, instead of reducing the carrying amount of the asset.

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 profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

J PROPERTY, PLANT AND EQUIPMENT

I. OWNED ASSETS – COST MODEL

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (i) – Impairment). Opening balances are presented at net book values, which include adjustments from revaluation within the Purchase Price Allocation process (refer to accounting policy (b) iii – Basis of consolidation – Accounting for business combinations).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets 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 accounting policy (q) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

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. OWNED ASSETS – REVALUATION MODEL

The gas transmission pipelines of eustream, a.s. and the gas distribution pipelines in SPP – distribúcia, a.s. are held under revaluation model. The assets are carried at revalued amount, which is fair value at the date of revaluation less accumulated subsequent depreciation and impairment. Revaluation is made with sufficient regularity, at least every 5 years. Revaluation is always applied to the entire class of property, plant and equipment the revalued asset belongs to.

Initial revaluation as at the date of initial application of revaluation model, the difference between carrying amount and revalued amount is recognized as revaluation surplus directly in equity if revalued amount is higher than carrying amount. Difference is recognized in profit or loss if revalued amount is lower than carrying amount.

On subsequent revaluation, increase in revalued amount is recognized in other comprehensive income or in profit or loss to the extent it reverses a revaluation decrease of the same asset previously recognized in profit or loss. The decrease in revalued amount primarily decreases amount accumulated as revaluation surplus in equity, eventual remaining part of decrease in revalued amount is recognized in profit or loss. Accumulated depreciation is eliminated against gross carrying amount of the asset.

Deferred tax asset or liability is recognized in equity or in profit or loss in the same manner as the revaluation itself.

When asset under revaluation model is depreciated, revaluation surplus is released to retained earnings as the asset is depreciated. When the revalued asset is derecognized or sold, the revaluation surplus as a whole is transferred to retained earnings.

III. FREE-OF-CHARGE RECEIVED PROPERTY

Several items of gas and electricity equipment (typically connection terminals) were obtained “free of charge” from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to connect the customers to the grid. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

IV. SUBSEQUENT COSTS

Subsequent costs are capitalised only if it is probable that the future economic benefits embodied in an item of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

V. DEPRECIATION

Depreciation is recognised in profit or loss 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 ownership by the end of the lease term.

The estimated useful lives are as follows:

• Power plant buildings and structures	7–100 years
• Buildings and structures	7–80 years
• Gas pipelines	30–70 years

- Machinery, electric generators, gas producers, turbines and boilers 7–50 years
- Mines and mine property 15–30 years
- Distribution network 10–30 years
- Machinery and equipment 4–40 years
- Fixtures, fittings and others 3–20 years

Depreciation methods and useful lives, as well as residual values, 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.

K INTANGIBLE ASSETS

I. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Goodwill represents the excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets of the acquired subsidiary/associate/joint venture/joint operation at the date of acquisition. Goodwill on acquisitions of subsidiaries/joint operations 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 Group's share in the fair value of identifiable assets and liabilities of a subsidiary or equity accounted investees as at the acquisition date exceeds the acquisition cost, the Group reconsiders identification and measurement of identifiable assets and liabilities, and the acquisition cost. Any excess arising on the re-measurement (negative goodwill) is recognised in profit and loss account in the period of acquisition.

Upon acquisition of non-controlling interests (while maintaining control), no goodwill is recognised.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to accounting policy (i) – Impairment) and is tested for impairment annually.

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

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

II. RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

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 measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset.

In 2023 and 2022, expenditures incurred by the Group did not meet these recognition criteria. Development expenditure has thus been recognised in profit or loss.

III. EMISSION RIGHTS

RECOGNITION AND MEASUREMENT

Emission rights issued by a government are initially recognised at fair values. Where an active market exists, fair value is based on the market price. The fair value for allocated emission rights is determined as the price at the date of allocation. Emission rights that are purchased are initially recognised at cost.

Internally generated emission allowances (in form of green certificates) obtained from qualifying generation assets are recognized as generation occurs, when it is probable that the expected future economic benefits attributable to them will flow to the Group and their cost can be measured reliably.

Subsequently, emission rights are accounted for under the cost method under intangible assets.

The Group's accounting policy is to use the first-in, first-out principle ("FIFO") for emission rights disposal (consumption or sale).

IMPAIRMENT OF EMISSION RIGHTS

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired.

Where an impairment indicator exists, the Group reviews the recoverable amounts of the cash generating unit, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. In case the carrying value of a cash generating unit is greater than its recoverable value, impairment exists.

Any identified emission rights impairment is recognised directly as a debit to a profit or loss account and a credit to a valuation adjustment.

RECOGNITION OF GRANTS

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission rights. The release of deferred income to a profit and loss account is performed on a quarterly basis; any subsequent update to the estimate of total annual pollutants is taken into account during the following monthly or quarterly assessment. Any disposals of certificates or changes in their carrying amount do not affect the manner in which grant income is recognised.

RECOGNITION, MEASUREMENT OF PROVISION

A provision is recognised regularly during the year based on the estimated number of tonnes of CO_2 emitted.

It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It means that the provision is measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, by using a FIFO method. The Group companies identify (in each provision measurement period) which of the certificates are “marked for settling” the provision and this allocation is consistently applied.

Otherwise, if a shortfall of emission rights on hand as compared to the estimated need exists at the reporting date, then the provision for the shortfall is recorded based on the current market value of the emission certificates at the end of the reporting period.

IV. 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 accounting policy (i) – Impairment).

Intangible assets that have an indefinite useful life are not amortised and are instead tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

V. AMORTIZATION

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

• Software	2–7 years
• Customer relationship and other contracts	2–20 years
• Other intangible assets	2–20 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

L INVESTMENT PROPERTY

Investment property is property held by the Group either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment property is measured at fair value. For measurement policy of investment property refer to Note 4(c). Any gain or loss arising from a change in fair value is recognised in profit or loss.

M 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 at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts, if the effect of discount is material, using as a discount rate the pre-tax rate that reflects 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 profit or loss in finance costs.

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 estimates of provisions can arise in particular from deviations from originally estimated costs, from changes in the settlement date or in the scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss at the date of the change in the estimate (see below).

I. EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS

Liability relating to long-term employee benefits and service awards 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. Future liability which is calculated using the projected unit credit method is discounted to its present value. The discount rate used is based on yields of high-quality corporate bonds as at the end of the reporting period, which maturity approximately corresponds with the maturity of the future obligation. The revaluation of the net liability from long-term employee benefits and service awards (including actuarial gains and losses) is recognised in full immediately in other comprehensive income.

Contributions for pension insurance resulting from Collective agreement are expensed when incurred.

Pension plans

In accordance with IAS 19, the projected unit credit method is the only permitted actuarial method. The benchmark (target value) applied to measure defined benefit pension obligations is the present value of vested pension rights of active and former employees and beneficiaries (present value of the defined benefit obligation). It is in general assumed that each partial benefit of the pension commitment is earned evenly from commencement of service until the respective due date.

If specific plan assets are established to cover the pension payments, these plan assets can be netted against the pension obligations and only the net liability is shown. The valuation of existing plan assets is based on the fair value at the balance sheet date in accordance with IAS 19.

Assets used to cover pension obligations that do not fully meet the requirement of plan assets have to be carried as assets on the balance sheet. Any netting off against the liability to be covered will not apply in this respect.

The Group recognises all actuarial gains and losses arising from benefit plans immediately in other comprehensive income and all expenses related to the defined benefit plan in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not been previously recognised.

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. PROVISION FOR LAWSUITS AND LITIGATIONS

Settlement of a lawsuit represents an individual potential obligation. Determining the best estimate either involves expected value calculations, where possible outcomes, stated based on a legal study, are weighted by their likely probabilities or it is the single most likely outcome, adjusted as appropriate to consider risk and uncertainty.

III. PROVISION FOR EMISSION RIGHTS

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO_2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

Certain property, plant and equipment of conventional and renewable power plants in and gas storage facilities and coal mines have to be dismantled and related sites have to be restored at the end of their operational lives. These obligations are the result of prevailing environmental regulations in the countries concerned, contractual agreements, or an implicit Group commitment.

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 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.

Provisions for environmental remediation in respect of contaminated sites are recognised when the site is contaminated and when there is a legal or constructive obligation to remediate the related site.

Provisions are recognised for the following restoration activities:

- dismantling and removing structures;
- rehabilitating mines and tailings dams;
- abandonment of production, exploration and storage wells;
- dismantling operating facilities;
- closure of plant and waste sites; and
- restoration and reclamation of affected areas.

The entity records the present value of the provision in the period in which the obligation is incurred. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets.

Over time, the discounted liability is increased to reflect the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

All the provisions for environmental remediation and asset retirement obligation are presented under Provision for restoration and decommissioning.

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 unavoidable costs under a contract reflect net cost of exiting from the contract, which is the lower of the costs of fulfilling the contract, and any compensations or penalties arising from failure to fulfil 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.

N LEASES

DEFINITION OF A LEASE

An agreement is or contains a leasing arrangement if it gives the customer the right to control the use of an identified asset in a time period in exchange for consideration. Control exists if the customer has the right to obtain substantially all economic benefits from the use of the asset and also the right to direct its use.

LESSOR ACCOUNTING

Lessor classifies leasing as either financial or operating. Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In the case of financial leasing the lessor reports in its statement of financial position a receivable in an amount equal to the net financial investment in the leasing. In the statement of comprehensive income then during the leasing term it reports financial revenues.

In the case of operating leasing the lessor recognises an underlying asset in the statement of financial position. In the income statement then during the leasing term it reports leasing payments as revenues on a straight-line basis over the lease term and depreciation of the underlying asset as an expense.

LESSEE ACCOUNTING

Upon the commencement of a leasing arrangement, the lessee recognises a right-of-use asset against a lease liability, which is valued at the current value of the leasing payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Incremental borrowing rate is determined based on interest rates from selected external financial sources and adjustments made to reflect the terms of the lease.

Exception option applies for short-term leases (lease term 12 months or shorter) and leases of low value assets (lower than 5 thousand EUR). The Group has elected not to recognize right-of-use assets for these leases. Lease payments are recognised as an expense on a straight-line basis over lease period.

The lease liability is subsequently measured at amortized cost under the effective interest rate method. Lease liability is remeasured if there is a change in:

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of purchase, extension or termination option;
- in-substance fixed lease payments; or
- in the scope of a lease or consideration for a lease (lease modification) that is not accounted as a separate lease.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets. In case the right-of-use assets has been reduced to zero, the adjustment is recognized in profit or loss.

The Group presents right-of-use assets in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use assets is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

In a statement of comprehensive income, the lessee reports interest expense and (straight-line) depreciation of a right-of-use asset. A company (lessee) depreciates an asset in accordance with the requirements of the IAS 16. The asset is depreciated from the commencement date to 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.

SERVICE PART OF A LEASE PAYMENT

Companies within the Group accounting for leases of vehicles do not separate the service fee from the lease payments. Total lease payments are used to calculate the lease liability. For other leasing contracts the service fee is separated from the lease payments. Service fee is recognised as a current expense in statement of comprehensive income, remaining part is used to calculate the leasing liability.

LEASE TERM

The lease term is determined at the lease commencement date as the non-cancellable period together with periods covered by an extension (or by a termination) option if the Group is reasonably certain to exercise such option.

Where the lease contract is concluded for an indefinite period with option to terminate the lease available both to the lessor and the lessee, the Group assesses the lease term as the longer of (i) notice period to terminate the lease and, (ii) period over which there are present significant economic penalties that disincentives the Group from terminating the lease. In case the assessed lease term is for a period below 12 months, the Group applies the short-term recognition exemption.

RENEWAL OPTIONS

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.

O REVENUE

I. REVENUES FROM CONTRACTS WITH CUSTOMERS

The Group applies a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) 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 depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

Sales transactions usually contain variable consideration and usually do not contain significant financing component. Certain sales transactions contain also non-cash consideration.

The Group has identified following main sources of Revenue in scope of IFRS 15 (for complete source of Group's revenues refer to Note 7 – Revenues, for more information on contracts with customers refer to Note 5 – Operating segments):

- *Revenues from sale of gas, electricity, heat or other energy products (energy products)*

Revenues from power production (wholesale) are recognized based on the volume of power delivered to the grid and price per contract or as of the market price on the energy exchange.

Significant accounting policies

The Group recognises the revenue upon delivery of the energy products to the customer. The moment of the transfer of the control over the products is considered at the moment of delivery, i.e. when the customer gains the benefits and the Group fulfils the performance obligation.

Revenues from energy supply to end consumers are measured using transaction prices allocated to those goods transferred, reflecting the volume of energy supplied, including the estimated volume supplied between last invoice date and end of the period. For B2C customers advance payments are required in general based on historical consumption, those are settled when the actual supplied volumes are known. While B2B customers are usually invoiced with higher frequency based on actual volumes supplied.

Where the Group acts as energy provider it was analysed if the distribution service invoiced is recognised as revenue from customers under IFRS 15. Judgement may be required to determine whether the Group acts as principal or agent in those cases. It has been concluded that the Group acts as a principal because it has the inventory risk for distribution services, and therefore materially all distribution services which are billed to its customers as part of the revenues from energy delivery are presented gross in the statement of comprehensive income.

- *Gas and electricity infrastructure services*

The Group provides services connected with the infrastructure by providing transmission or distribution of energy products or by providing storage capacities. Some of these services include ship-or-pay clauses (at gas transmission business) and store-or-pay clauses (at gas storage business), which reserve daily or monthly capacity for the customer with corresponding billing. The revenues from all these contracts are recognised over the time of the contract. As the Group fulfils the performance obligation arisen from those contracts over the time of the contract, the revenues are recognised based on reserved capacity (gas transmission, gas distribution and gas storage) or distributed volume of energy (electricity distribution).

The transaction price comprises of fixed consideration (nominated capacity fees) and variable consideration (fee adjustments based on transmitted/distributed volume, and fee adjustment based on difference in quality of transmitted gas on input and output). The variable consideration is recognized as incurred as it is constrained by uncertainty related to factors outside the Group's influence (such as energy demand volatility and weather conditions). The services are generally billed on a monthly basis.

In case of transmission services part of the remuneration is collected in the form of non-cash consideration provided in the form of natural gas (payment for gas transmission services). The Group measures the non-cash consideration received at fair value.

The Group has evaluated that several items of gas and electricity equipment (typically connection terminals) obtained "free of charge" from developers and from local authorities does not represent a grant (because in such cases the local authorities act in the role of a developer) and do not constitute a distinct performance obligation. This equipment is recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to the obligation to distribute energy to the customers (a non-cash consideration). These costs approximate the fair value of the obtained assets.

- *Grid balancing services*

The Group provides grid balancing services to transmission system operators ("TSO") primarily in Italy, Germany, France, Ireland and the United Kingdom. The purpose of grid balancing services is to ensure the reliability of power grid and to maintain the quality of electricity supply. Grid balancing, which can span a wide array of services provided by the Group, includes two main streams of revenues represented by capacity fees and activation fees. The Group earns capacity fees for providing the service regardless of whether the TSO activates it (remuneration for availability), whereas activation fees are earned only when TSO requests the services (remuneration for performance).

Grid balancing services are accounted as 'stand-ready' services and recognized over time on a straight line-basis. Capacity fees represent a fixed part of the transaction price and are recognised equally over the contract period. Activation fees represent variable consideration of the contract. The Group does not accrue the activation fees as these are highly susceptible to factors outside Group's influence (such as weather conditions and fluctuation in energy consumption). The activation fees are recognized when activation (or deactivation) of respective resource is requested by the customer.

- *Coal mining and revenues from sale of coal*

The Group recognises the revenue from sales of coal at a point in time, upon delivery of coal to the customer. The moment of the transfer of control over the product is considered the moment of delivery to the destination specified by the customer, i.e. when the customer gains the benefits, and the Group fulfils the performance obligation. Shipping and handling activities are considered only as fulfilment activities. Sales revenue is commonly subject to adjustments by variable consideration based on inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as a reduction or an increase in sales revenue recognised on the sale transaction.

The Group may further guarantee to the customer its mining capacity for which the customer pays a fixed capacity fee. If the mining capacity is booked, the Group recognizes the performance as 'stand-ready' performance and respective revenues is recognized over contract period on a straight-line basis.

- *Logistics and freight services*

The Group provides procurement of commodities, freight and logistic connected services. At the inception of each contract, the Group identifies the performance obligations in the contract. Distinct performance obligations may include sale of goods and materials, transport, operation of containers and/or related consulting activities. Revenues from the sale of goods and materials are recognized at the point in time when the control is transferred to the customer. Revenues from freight services are recognized over a period of time as the customer is obliged to pay for the performance completed to date.

II. DERIVATIVES WHERE THE UNDERLYING ASSET IS A COMMODITY

Cash-settled contracts and contracts that do not qualify for the application of the own-use exemption are regarded as trading derivatives.

The following procedure applies to other commodity and financial derivatives that are not designated as hedging derivatives and are not intended for the sale of electricity from the Group's sources, for delivery to end customers or for consumption as a part of the Group's ordinary business (the own-use exemption is not applied).

At the date of the financial statements, trading derivatives are measured at fair value. The change in fair value is recognised in profit or loss. For the purposes of Group reporting, where trading with commodity derivatives forms a significant part of the Group's total trading activities, the measurement effect is recognised in "Gain (loss) from commodity and freight derivatives, net", a separate line item under "Revenues" for commodity derivatives with electricity, gas, coal and freight. The measurement effect for commodity derivatives with emission rights is included in line item "Emission rights, net".

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.

P GOVERNMENT GRANTS

Government grants 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 profit or loss 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.

Q FINANCE INCOME AND COSTS

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 currency gains, gains on sale of investments in securities and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

II. FINANCE COSTS

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, fees and commissions expense for payment transactions and guarantees, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

III. BORROWING COSTS

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset, from the time of acquisition or from the beginning of construction or production until entry into service, are capitalised and subsequently amortised alongside the related asset. In the case 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 based on a weighted average of the borrowing costs.

R INCOME TAXES

Income taxes comprise current and deferred tax. Income taxes are recognised in profit or loss, 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 is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised on the following temporary differences: temporary differences arising from the initial recognition of assets or liabilities that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. No deferred tax is recognised on 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 enacted or substantively enacted 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 they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but there is an intention to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be 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.

S DIVIDENDS

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

T 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. If an investment or portion of an investment in associate or joint venture is classified as held for sale, it is measured at the lower of its existing carrying amount and fair value less cost to sell. Equity method of accounting is not applied since the classification as held for sale.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the 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 profit or loss from continuing operations.

U SEGMENT REPORTING

Segment results that are reported to the Group's Board of Directors (the chief operating decision maker) include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The support is provided by four executive committees: a strategic committee, an investment committee, a risk management committee, and a compliance committee.

4. Determination of fair values

Several 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 in the notes specific to that 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 three different approaches which may be employed to determine the fair value:

Market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables.

Income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Cost approach is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction cost. The depreciated replacement cost approach involves establishing the gross current replacement cost of the asset, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset, the estimated residual value at the end of the asset's working life and the loss in service potential.

IFRS 13 requires fair value measurements of assets to assume the highest and best use of the asset by market participants, provided that the use is physically possible, financially feasible and not illegal. Highest and best use might differ from the intended use by an individual acquirer. Although all three valuation approaches should be considered in the valuation analysis, the fact pattern surrounding each business combination, the purpose of valuation, the nature of the assets, and the availability of data dictate which approach or approaches including accounting-oriented approaches are ultimately utilized to calculate the value of each tangible asset.

Selected items of property, plant and equipment – the gas transmission pipeline owned and operated by eustream, a.s. ("eustream") and the gas distribution pipelines owned and operated by SPP – distribúcia, a.s. ("SPPD") – are recognized in revalued amount in accordance with IAS 16 since 1 January 2019 and 1 January 2020, respectively. The revalued amount represents the fair value as at the date of the most recent revaluation, net of any subsequent accumulated depreciation and subsequent accumulated impairment. The most recent revaluation was prepared as at 1 August 2019 for eustream and as at 1 January 2023 for SPPD by an independent expert and will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognised on the balance sheet date using fair values.

Each revaluation was conducted by an independent expert who used mainly the depreciated replacement cost approach supported by the market approach for some types of assets. In general, the replacement cost method was used and the indexed historical cost method for assets where reproductive rates were not available. By determining the fair value of individual assets with the cost approach, physical deterioration, plus technological and economic obsolescence of assets was acknowledged.

The assumptions used in the revaluation model are based on the reports of the independent appraisers. The resulting reported amounts of these assets and the related revaluation surplus of assets do not necessarily represent the value in which these assets could or will be sold. There are uncertainties about future economic conditions, changes in technology and the competitive environment within the industry, which could potentially result in future adjustments to estimated revaluations and useful lives of assets that can significantly modify the reported financial position and profit. For further information, refer to Note 15 – Property, plant and equipment.

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 eventual sale of the assets.

C INVESTMENT PROPERTY

The fair value of investment property is determined by an independent registered valuer. The fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies that consider the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation (discounting).

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

D 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 estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair value of inventories held by commodity traders (for trading purposes) is based on their listed market price and is adjusted for transport costs.

E NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, debt and equity instruments at FVOCI and financial assets at amortized cost is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques 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 terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables and of financial assets at amortized cost is determined for disclosure purposes only.

F NON-DERIVATIVE FINANCIAL LIABILITIES

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

G DERIVATIVES

The fair value of forward electricity, gas and emission rights contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting 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 (based on zero coupon rates).

The fair value of interest rate swaps is based on broker quotes or internal valuations based on market prices. Those quotes or valuations are tested for reasonableness 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 (exchange rate, commodity, foreign CPI indices) embedded in a contract is estimated by discounting the difference between the forward values and the current values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon rates).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

5. Operating segments

EPH is a leading pan-European utility/energy group that owns and operates assets primarily in the Czech Republic, France, Germany, Ireland, Italy, the Netherlands, the Slovak Republic, Switzerland and the UK. EPH is vertically integrated and covers the complete value chain in the energy sector including electricity and heat production from renewable and conventional sources, including highly efficient cogeneration, electricity and heat distribution, electricity and gas trading and supply to final consumers, lignite extraction and, last but not least, EPH is an important regional player in various segments of the gas industry, including gas transmission, gas distribution and gas storage. In addition, EPH also operates in logistics and in commodity trading business.

EPH Group comprises over 70 companies structured in two main pillars – EP Infrastructure (or "EPIF Group") and EP Power Europe (or "EPPE Group") – that are ringfenced and steered separately. Each group operates in reportable segments under IFRS 8 Operating Segments. The Group identifies its operating segments at the level of each legal entity, the Group management monitors the performance of each entity through monthly management reporting. Operating segments are aggregated to four reportable segments in EPIF Group (Gas Transmission, Gas and Power distribution, Gas Storage and Heat Infra), three reportable segments in EPPE Group (Flexible Power Generation (with its subsegments Contracted/Semi-contracted and Merchant), Renewables and Other) and two reportable segments in the rest of EPH Group (Carbon-neutral and Other) mainly based on the nature of services provided. Each reportable segment aggregates entities with similar economic characteristics (type of services provided, commodities involved and regulatory environment. Reportable segments have been identified primarily on the basis of internal reports used by the Group's "Chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance. EPH seeks to achieve excellence in all aspects of its operations. Major indicators used by the Board of Directors to measure these segments' performance is profit (loss) for the year before income tax expenses, finance expense, finance income, change in impairment on financial instruments and other financial assets, share of profit (loss) of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures, joint operations and associates, depreciation, amortization and impairment of tangible and intangible assets and negative goodwill (or "Underlying EBITDA") and capital expenditures (excl. emission rights, right-of-use assets and goodwill) (or "CAPEX").

EP INFRASTRUCTURE GROUP ("EPIF GROUP")

The EPIF Group is a leading European energy infrastructure utility focused on gas transmission, gas and power distribution, heat and power generation and gas storage. With principal operations in the Slovak Republic, the Czech Republic and Germany, EP Infrastructure is a unique entity with a large and diverse infrastructure asset base.

The EPIF Group operates critical energy infrastructure through various subsidiaries in four reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage and Heat Infra.

GAS TRANSMISSION

The Group's Gas transmission business is operated through eustream, which is the owner and operator of one of the main European gas pipelines and is the only gas transmission system operator in the Slovak Republic. The transmission network of eustream has a unique positioning to supply gas to Central European and Southern European gas markets, irrespective of the gas source and flows pattern. It is also the largest, and historically the most used natural gas import route to Ukraine from Western Europe.

Eustream generates revenue primarily by charging tariffs for the transmission of gas through its pipelines. Shippers are obliged to pay the capacity fees for the booked capacity irrespective of whether such capacity is utilised by the shipper as all contracts, regardless of duration, are based on a 100 per cent ship-or-pay principle.

The transmission fees are fixed from the start for each contract and are therefore not subject to unilateral renegotiation, termination or other adjustments other than for inflation. In addition to the transmission fees, network users are required to provide gas in-kind for operational needs, predominantly as a fixed percentage of commercial gas transmission volume at each entry and exit point. The network users may agree with eustream to provide gas in-kind in a financial form. Gas for operational needs covers, among other things, the energy needs for the operation of compressors and the gas balance differences related to the measurement of gas flows. As eustream is legally responsible for network balance, it sells any gas in-kind it has received that is not consumed. Since the volume of gas in-kind is variable, any revenue from this mandatory sale of residual gas in-kind is also variable.

Majority of the gas transmitted through the network of eustream stems from a long-term contract with a prominent Russian shipper of gas, while the residual volumes are mostly based on short-term contracts concluded with European utilities, gas suppliers and gas traders. These contracts entitle shippers to transmit the natural gas through the eustream's network to/from the Czech Republic, Austria, Ukraine, Hungary and since late 2022 also Poland. The Group assessed the contractual conditions in the ship-or-pay arrangements and concluded that there is no derivative included as these contracts do not provide the Group with any flexibility and the capacity booked must always be provided to the customer.

Because of the contractual nature of the long-term contract with the prominent Russian shipper of gas, management carefully assessed the contractual conditions with the respect to whether the contract includes any significant lease arrangement as per IFRS 16. As there is no indication that the Russian shipper is in control of the asset and there are several other shippers using the asset, management concluded that no material indications of such leasing relationship were noted and that the transmission pipeline should be recognised in eustream's balance sheet and related shipping arrangements accounted for in accordance with IFRS 15.

GAS AND POWER DISTRIBUTION

The Gas and power distribution segment consists of the Power distribution division, the Gas distribution division and the Supply division. The Power distribution division distributes electricity in the central Slovakia region while the Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic

and Slovakia. This segment is mainly represented by Stredoslovenská energetika Holding, a.s. (further "SSE"), Stredoslovenská distribučná, a.s. (further "SSD"), SPP – distribúcia, a.s. (further "SPPD"), EP ENERGY TRADING, a.s. (further "EPET") and Dobrá Energie s.r.o.

The companies SPPD and SSD, which provide distribution of natural gas and power, respectively, are required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of the Regulatory Office for Network Industries ("RONI"). Both entities operate under a regulatory framework where allowed revenues are based primarily on the Regulated Asset Base ("RAB") multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other Western European countries. All key tariff parameters are set for a given regulatory period of five years, while the current regulatory period started in January 2023.

Revenue from sales of electricity and gas is recognised when the electricity and gas is delivered to the customer. With respect to SSE, RONI regulates certain aspects of SSE's relationships with its customers including the pricing of electricity, gas and services provided to certain SSE customers. Prices of electricity and gas for households and small business are regulated by RONI, while prices of electricity and gas for the wholesale customers are not regulated. In the Czech Republic, prices for end-consumers in supply activities are typically not regulated. In response to volatile commodity prices during 2022, both the Czech and Slovak Governments decided to set maximum prices of electricity and gas for certain customers for 2023 (further details are described in regulatory risk; refer to Note 31(f)).

EPET and the SSE engage in the buying and selling of power. Selling encompasses transactions in the wholesale electricity market for power generated by the Group within its Heat Infra Business. Buying encompasses procurement of electricity and natural gas to meet the demands of customers as part of the division's supply activities. The majority of the Group's transactions are carried out on a back-to-back basis.

GAS STORAGE

The Gas storage segment is represented by NAFTA a.s., POZAGAS a.s., NAFTA Germany GmbH and its subsidiaries and SPP Storage, s.r.o. which store natural gas primarily under long-term contracts in underground storage facilities located in Slovakia, Germany and the Czech Republic.

The Group stores natural gas in two locations in Slovakia and the Czech Republic and three locations in Germany. Additionally, NAFTA a.s. and POZAGAS a.s. sell part of their storage capacity at the Austrian Virtual Trading Point and pay entry-exit fees in relation to the access to the Austrian market. Storages play a pivotal role in ensuring security of gas supply by accommodating injection, withdrawal, and storage of natural gas based on seasonal demands, adhering to relevant legislation. Also, capacities are utilized to capitalize on short-term market volatility in gas prices, allowing for effective management and optimization in response to fluctuations. The bulk of storage capacity is reserved through long-term contracts. The pricing mechanisms differ, incorporating either adjustments for inflation along with standard price revision clauses, or formulas based on actual market spreads. All contracts are bound by a store-or-pay obligation.

HEAT INFRA

The Heat Infra segment owns and operates three large-scale combined heat and power plants (CHPs) in the Czech Republic mainly operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s. The heat generated in its CHPs is supplied mainly to retail customers through well maintained and robust district heating systems that the Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin. The entities also represent major Czech power producers and important providers of grid balancing services for ČEPS, the Czech electricity transmission network operator. EP Sourcing, a.s. and EP Cargo a.s., as main suppliers of the above-mentioned entities, are also included in this segment.

EPIF OTHER

The Other operations represent mainly three solar power plants and one wind farm in the Czech Republic and two solar power plants and a biogas facility in Slovakia.

EP POWER EUROPE GROUP ("EPPE GROUP")

EPPE Group focuses on the development of a coherent power generation portfolio in Europe. With a total net installed capacity of ca. 12.9[1] GW (on consolidated basis, excluding equity-accounted investees), represented mainly by flexible gas-fired power plants as well as renewables in the form of biomass, wind and solar power plants and hard coal/lignite power plants critical for power supply in the region, EPPE Group belongs to the top power producers in Europe. In addition, the Group has been investing into new low emission sources in Italy and the UK (installed capacity of the new gas-fired hydrogen-ready power plants under construction is approx. 2.4 GW).

EPPE Group specializes in power generation from conventional and renewable sources, lignite mining and also operates as a trading house.

EPPE Group is divided into three reportable segments under IFRS 8: Flexible Power Generation with two subsegments – Contracted/Semi-contracted subsegment (including generation activities in Italy, the UK and Ireland) and Merchant subsegment (including generation activities in Germany, the Netherlands and France and supply business activities in France and the Netherlands), Renewables (including activities in Germany, the UK, Italy and France) and Other (including mining activities).

1 The number includes installed capacity of Mehrum and Emile Huchet 6 (EH6). Both power plants were already off the merchant operations (Mehrum since December 2021 and EH6 since March 2022). However, due to situation on the fragile German and French energy markets both power plants were recommissioned during 2022 to support the electricity grid and security of supply and remained in operation during whole 2023.

FLEXIBLE POWER GENERATION

Contracted/Semi-contracted subsegment

The Contracted/Semi-contracted part of the segment is primarily represented by investments in assets that generate electricity in condensation mode and which are contracted or partially contracted under some regulatory scheme, typically capacity market contracts (Italy, the UK and Ireland) or must run regime (Italy). Overall installed capacity of Group's gas and coal fired power plant fleet in this segment is 7.4[2] GW.

In addition to these, Group's joint venture operates a power plant with installed capacity of 0.8 GW in Italy.

ITALY

EP Produzione S.p.A. operates a total net installed capacity of 3.9 GW through four gas-fired power plants and one coal-fired power plant, making it one of the most relevant power generation players in the country. Its efficient and high-performance power stations are managed according to the highest environmental, safety and reliability standards, including the hard coal power plant Fiume Santo on the Sardinia Island with an installed capacity of 599 MW which ensures local grid stability. The company operates four gas power plants – Livorno Ferraris, Ostiglia and Tavazzano Montanaso in the north of Italy and Trapani in Sicily and is building new gas power plants in Ostiglia and Tavazzano, which are to be part of the system to ensure stability of the grid in Italy. The gas-fired power plant Scandale in Calabria, which has a capacity of 814 MW, is managed by Ergosud S.p.A., a joint venture between EPH and A2A.

UNITED KINGDOM

EP Langage Limited is a gas-fired power station located near Plymouth, Devon. Construction of the site started in 2008 and was commissioned in 2010. The total site capacity is 905 MW. The high-pressure steam system enables high efficiency (51%), its flexible design is capable of 2-shift operation and low minimum load, enhancing plant option value, and the 2 to 1 configuration provides increased flexibility to the National Grid, the UK's high voltage electricity transmission network, for alternative services helping grid stability.

EP SHB Limited is a gas-fired power station located near Stallingborough. The total installed capacity of the power plant is 1,364 MW. The site consists of Phase 1 and Phase 2, which are separate power plants with one combined cooling systems and flexible design capable of 2-shift operation and minimum load, enhancing plant option value.

2 In addition to 7.4 GW, the Group has been investing into new low emission sources in Italy, the UK and Ireland with the aim to secure stability and reliability of local electricity markets which are also included in this segment (installed capacity of the new power plants under construction is approx. 2.4 GW).

EP Kilroot Limited is coal-fired power station including also OCGT unit. Dual-fired coal units with capacity of 514MW were put out of operations in September 2023 and only 142 MW OCGT unit remains in operations. The Group is currently in the final stage of the construction of new OCGT unit on the Kilroot brownfield site supported by already awarded capacity contracts. Furthermore, there is an opportunity for further development including additional battery storage.

EP Ballylumford Limited is a power station located in Northern Ireland with a total capacity of 683 MW and operates a mix of flexible gas fired CCGT and distillate fired OCGT units. The highly flexible CCGTs can operate in several different modes and has the lowest minimum generation for CCGT on the Irish market. The power plant operated under a long-standing power supply agreement with the Power Procurement Board, which expired on 23 September 2023. Since then, EP Ballylumford has been backed by capacity contracts and has also been able to trade the power it generates on a single wholesale market across the island of Ireland.

IRELAND

Tynagh Energy Limited is a power producer in the Republic of Ireland that owns 384 MW CCGT power plant (dual fuel natural gas and distillate) in east County Galway. The plant was commissioned in 2006 and its estimated life span is approximately 30 years. The power plant is in a unique position of being the only independent CCGT plant on the Irish market and provides a flexible daily electricity production to the wholesale electricity market but also a significant part of the gross margin comes from fixed capacity market contracts.

Merchant subsegment

The Merchant part of the segment is primarily represented by investments in assets that generate electricity and sell it on the merchant market (Germany, France and the Netherlands) and gas and power supply business activities (France and the Netherlands). Overall installed capacity of Group's power plant fleet in this segment is 4.9[3] GW.

FRANCE

EPPE Group through its subsidiary Gazel Energie Generation S.A.S. operated one coal power generation unit with an installed capacity of 595 MW, located near Saint-Avold, which was decommissioned in March 2022 but due to situation on the fragile French energy market the power plant was recommissioned during second half of 2022 to support the electricity grid and security of supply, and also 150 MW biomass power plant in Provence. Through its subsidiaries Gazel Energie Solutions S.A.S., Dynamo S.A.S. and Illico S.A.S., it is also active in electricity and gas retail supply for Industrial and Commercial ("I&C") and small-to-medium enterprises ("SME") customers.

3 The number includes installed capacity of Mehrum and Emile Huchet 6 (EH6). Both power plants were already off the merchant operations (Mehrum since December 2021 and EH6 since March 2022). However, due to situation on the fragile German and French energy markets both power plants were recommissioned during 2022 to support the electricity grid and security of supply and remained in operation during whole 2023.

GERMANY

Kraftwerk Mehrum GmbH operates a coal-fired power plant near Hanover with a net installed capacity of 690 MW, which was taken off the merchant regime since 8 December 2021 and it was expected to be operated only for balancing mechanism purposes for some time based on the regulator's requirements in 2022 but due to situation on the fragile German energy market the power plant has been recommissioned to support the electricity grid and security of supply. Power plant was taken from the grid at the end of March 2024.

Kraftwerk Schkopau GmbH operates a lignite power plant with net installed capacity of 900 MW. The power plant provides primarily specialized products to industrial customers Dow Chemical and Deutsche Bahn.

THE NETHERLANDS

EP Netherlands B.V. operates via its subsidiaries and a joint operation four highly efficient CCGT power plants with total net installed capacity of 2.6 GW. Those power plants operate in a merchant mode, but also provide important balancing services to Tennet. In addition, it is also active on electricity and gas supply for commercial and SME customers, operates gas pipe connection to one of its power plants and provides access to market to third party wind park via PPA (power purchase agreement).

OTHER

Beside operations this part contains also supporting functions such as trading of energy products related to our power plant portfolio and underground gas storage facility in the UK as well as procurement of commodities and freight requirements of EPH's power plant facilities.

RENEWABLE ENERGY

The Renewable energy segment consists mostly of biomass fired power plants located in the UK and Italy as well as of wind farms and solar parks located in Germany and France. Total installed capacity of renewable sources is 0.6 GW.

UNITED KINGDOM

Lynemouth Power Limited is the owner and operator of a coal-fired power station in Northumberland (original coal-fired installed capacity 420 MW). Lynemouth holds a Contract for Difference contract for full biomass conversion and EP UK Investments Limited ("EPUKI") has progressed this, including managing the construction, fuel supply and financing workstreams. The biomass conversion has incurred capital expenditure in excess of GBP 350 million and it was commissioned in autumn 2019.

ITALY

The biomass-fired power plant Strongoli, owned and operated by Biomasse Italia S.p.A. is situated in the central-eastern part of Calabria. With a total capacity of 46 MW, it is one of the most modern biomass-fired power plants in Europe. The plant is mainly fuelled with biomass made of wood chips, derived from forest maintenance and agro-food residuals coming from local and national markets.

The biomass-fired power plant Crotone, owned and operated by Biomasse Crotone is situated in the central-eastern part of Calabria. Crotone is a biomass-fired power plant with a total capacity of 27 MW. The plant is mainly fuelled with biomass made of wood chips, derived from forest maintenance and agro-food residuals coming from local and national markets.

Fusine Energia operates a biomass power plant in Fusine, province of Sondrio, with an installed capacity of 6 MW.

GERMANY

MIBRAG Neue Energie GmbH operates the “Am Geyersberg” wind farm on the site of the Schleenhain mine near Groitzsch, Saxony, with a total installed capacity of 7 MW. The wind farm consists of 3 Siemens wind turbines. The company strives for further development of wind power in the area of surface mines owned by MIBRAG. In addition new solar power plant with installed capacity of 30 MW was commissioned in 2023 by MIBRAG on a recultivated land.

FRANCE

Renewable energy portfolio in France comprises six wind farms with a total capacity of 84 MW operated by Aerodis, S.A. and Gazel Energie Renouvelables S.A.S., and two solar parks with a total capacity of 11 MW operated by Gazel Energie Solaire S.A.S.

In addition, this segment also includes EP Power Minerals which is a group of entities and joint ventures providing building material substitutes and abrasives derived from ashes as by-products of coal-fired power plants. In addition, waste management solutions are provided. The headquarters are located in Dinslaken (Germany). Operations of the entity are located mainly in Germany, with branches located also in Poland, the UK, Asia and also in Finland and the Netherlands after the acquisition of Sibelco abrasives activities in those countries.

EPPE OTHER

Mining

The Mining part of the segment is represented by companies operating in Germany.

MIBRAG GmbH (“MIBRAG”) has its activities focused on the south of Saxony-Anhalt region, where it operates Profen open-cast mine, and in Saxony, where it operates Schleenhein open-cast mine. The produced lignite is supplied to power plants under long-term supply agreements. Two biggest customers are Lippendorf and Schkopau power plants. The company holds shares in three other entities offering a wide range of services from energy generation, landscaping to civil engineering, disposal and mine engineering services.

THE REST OF EPH GROUP

CARBON-NEUTRAL

The main entity within this segment is Slovenské elektrárne, a.s. and its subsidiaries, accounted for using equity method with 33% share of the Group. Slovenské elektrárne, a.s. is the largest electricity producer in the Slovak Republic, operating two nuclear, two coal-fired, 31 hydroelectric and two photovoltaic power plants, generating 72% of the country’s total electricity production. With a net installed capacity of 4.1 GW, it is one of the largest electricity producers in Central and Eastern Europe. Its unique portfolio enables it to produce almost 96.5% of electricity without greenhouse gases. The company completed trial run of new unit of Mochovce Nuclear Power plant during 2023 and is currently completing units 4 of the same power plant, which is one of only three nuclear power plant constructions currently underway in Europe.

EPH OTHER

The segment EPH Other consists of companies which are not managed within EPIF or EPPE Group.

Other entities in this segment primarily include Group’s logistic companies and other supporting function to Group’s main segments managed by EPPE or EPIF Groups. Mainly it includes EP Cargo Deutschland GmbH, EP CARGO POLSKA, S.A., Lokotrain s.r.o., LOCON Logistik & Consulting AG, EP Cargo Trucking Group and SPEDICA Group, which arrange complex logistical solutions for other Group segments as well as for third parties.

An equity-accounted investee SŽ EP Logistika Group is included in this segment.

PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

In millions of EUR

	EPIF Group					EPPE Group								
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Flexible power generation	EPPE Renewable	EPPE Other	EPH Carbon-neutral	EPH Other	Total segments	Holding Entities	Inter-segment eliminations	Consolidated Financial Information
Revenues: Energy and related services	264	3,401	457	687	2	17,489	657	308	-	2	23,267	-	(1,463)	21,804
external revenues	*260*	*3,097*	*399*	*255*	*1*	*17,039*	*535*	*216*	-	*2*	*21,804*	-	-	*21,804*
of which: electricity	-	*2,219*	-	*98*	*1*	*12,331*	*467*	*7*	-	-	*15,123*	-	-	*15,123*
gas	*260*	*878*	*397*	-	-	*4,433*	-	-	-	-	*5,968*	-	-	*5,968*
coal	-	-	-	-	-	*271*	-	*203*	-	-	*474*	-	-	*474*
heat	-	-	-	*157*	-	-	-	*6*	-	-	*163*	-	-	*163*
other energy products	-	-	*2*	-	-	*4*	*68*	-	-	*2*	*76*	-	-	*76*
inter-segment revenues	*4*	*304*	*58*	*432*	*1*	*450*	*122*	*92*	-	-	*1,463*	-	*(1,463)*	-
Revenues: Logistics and freight services	-	-	-	45	-	377	-	-	-	195	617	-	(66)	551
external revenues	-	-	-	*23*	-	*377*	-	-	-	*151*	*551*	-	-	*551*
inter-segment revenues	-	-	-	*22*	-	-	-	-	-	*44*	*66*	-	*(66)*	-
Revenues: Other	-	29	4	15	7	363	180	35	-	20	653	13	(60)	606
external revenues	-	*29*	*4*	*15*	*7*	*337*	*171*	*29*	-	*9*	*601*	*5*	-	*606*
inter-segment revenues	-	-	-	-	-	*26*	*9*	*6*	-	*11*	*52*	*8*	*(60)*	-
Gain (loss) from commodity and freight derivatives, net	-	15	-	-	-	1,232	-	-	-	-	1,247	-	-	1,247
Total revenues	**264**	**3,445**	**461**	**747**	**9**	**19,461**	**837**	**343**	**-**	**217**	**25,784**	**13**	**(1,589)**	**24,208**
Purchases and consumables:	(48)	(2,613)	(17)	(319)	(2)	(15,069)	(345)	(62)	-	(53)	(18,528)	-	1,364	(17,164)
external purchases and consumables	*(32)*	*(1,734)*	*(12)*	*(119)*	*(2)*	*(14,805)*	*(345)*	*(62)*	-	*(53)*	*(17,164)*	-	-	*(17,164)*
inter-segment purchases and consumables	*(16)*	*(879)*	*(5)*	*(200)*	-	*(264)*	-	-	-	-	*(1,364)*	-	*1,364*	-
Services	(9)	(127)	(41)	(79)	(2)	(418)	(142)	(76)	-	(107)	(1,001)	(43)	156	(888)
Personnel expenses	(31)	(138)	(41)	(53)	(2)	(268)	(44)	(110)	-	(32)	(719)	(31)	-	(750)
Depreciation, amortization and impairment	(117)	(240)	(37)	(60)	(4)	(209)	(78)	(53)	-	(29)	(827)	-	-	(827)
Emission rights, net	-	-	(2)	(172)	-	(1,334)	3	(17)	-	-	(1,522)	-	-	(1,522)
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	3	-	3
Own work, capitalized	2	23	4	2	-	4	-	1	-	-	36	-	-	36
Other operating income (expense), net	(39)	6	-	(2)	(1)	(291)	(26)	(68)	-	11	(410)	8	69	(333)
Profit (loss) from operations	**22**	**356**	**327**	**64**	**(2)**	**1,876**	**205**	**(42)**	**-**	**7**	**2,813**	**(50)**	**-**	**2,763**

FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

In millions of EUR

	EPIF Group				
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other
Finance income	5	27	17	17	-
external finance revenues	*5*	*14*	*11*	*9*	-
inter-segment finance revenues	-	*13*	*6*	*8*	-
Change in impairment on financial instruments and other financial assets	-	(4)	(2)	-	-
Finance expense	(35)	(19)	(8)	(3)	(1)
Net finance income (expense)	**(30)**	**4**	**7**	**14**	**(1)**
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-
Gain(loss) on disposal of subsidiaries, joint ventures, joint operations and associates	-	-	-	-	-
Profit (loss) before income tax	**(8)**	**360**	**334**	**78**	**(3)**
Income tax expenses	2	(87)	(81)	(21)	-
Profit (loss) for the year	**(6)**	**273**	**253**	**57**	**(3)**
Other financial information:					
Underlying EBITDA(1)	139	596	364	124	2

	EPPE Group								
	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information	Consolidated Financial Information
Finance income	119	7	218	-	(1)	409	*3,278	*(1,743)	1,944
external finance revenues	*39*	*5*	*4*	-	*(1)*	*86*	*1,858*	-	*1,944*
inter-segment finance revenues	*80*	*2*	*214*	-	-	*323*	**1,420*	**(1,743)*	-
Change in impairment on financial instruments and other financial assets	(5)	-	(2)	-	-	(13)	1	-	(12)
Finance expense	(376)	(10)	(15)	-	(3)	(470)	(359)	411	(418)
Net finance income (expense)	**(262)**	**(3)**	**201**	**-**	**(4)**	**(74)**	**2,920**	**(1,332)**	**1,514**
Share of profit (loss) of equity accounted investees, net of tax	763	1	2	225	8	999	-	-	999
Gain(loss) on disposal of subsidiaries, joint ventures, joint operations and associates	3	-	(14)	-	-	(11)	96	11	96
Profit (loss) before income tax	**2,380**	**203**	**147**	**225**	**11**	**3,727**	***2,966**	***(1,321)**	**5,372**
Income tax expenses	(435)	(47)	(40)	-	(1)	(710)	53	-	(657)
Profit (loss) for the year	**1,945**	**156**	**107**	**225**	**10**	**3,017**	***3,019**	***(1,321)**	**4,715**
Other financial information:									
Underlying EBITDA(1)	2,085	283	11	-	36	3,640	(53)	-	3,587

* EUR 1,332 million is attributable to intra-group dividends primarily recognised by EP Power Europe, a.s, SPP Infrastructure, a.s., Czech Gas Holding Investment B.V. and EP Energy, a.s.

(1) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, change in impairment on financial instruments and other financial assets, share of profit (loss) of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures, joint operations and associates, depreciation, amortization and impairment of tangible and intangible assets and negative goodwill.

Operating segments

Operating segments

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of EUR

	EPIF Group					EPPE Group								
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Flexible power generation	EPPE Renewable	EPPE Other	EPH Carbon-neutral	EPH Other	Total segments	Holding Entities	Inter-segment eliminations	Consolidated Financial Information
Revenues: Energy and related services	342	3,124	462	671	4	29,813	965	337	-	2	35,720	-	(1,452)	34,268
external revenues	*182*	*2,789*	*394*	*258*	*1*	*29,540*	*853*	*249*	-	*2*	*34,268*	-	-	*34,268*
of which: electricity	-	*1,967*	-	*109*	*1*	*20,675*	*786*	*13*	-	-	*23,551*	-	-	*23,551*
gas	*182*	*822*	*391*	-	-	*8,681*	-	-	-	-	*10,076*	-	-	*10,076*
coal	-	-	-	*1*	-	*175*	-	*232*	-	-	*408*	-	-	*408*
heat	-	-	-	*148*	-	-	-	*4*	-	-	*152*	-	-	*152*
other energy products	-	-	*3*	-	-	*9*	*67*	-	-	*2*	*81*	-	-	*81*
inter-segment revenues	*160*	*335*	*68*	*413*	*3*	*273*	*112*	*88*	-	-	*1,452*	-	*(1,452)*	-
Revenues: Logistics and freight services	-	-	-	35	-	1,083	-	-	-	178	1,296	-	(48)	1,248
external revenues	-	-	-	*25*	-	*1,082*	-	-	-	*141*	*1,248*	-	-	*1,248*
inter-segment revenues	-	-	-	*10*	-	*1*	-	-	-	*37*	*48*	-	*(48)*	-
Revenues: Other	-	20	8	22	8	318	204	35	-	16	631	11	(49)	593
external revenues	-	*20*	*8*	*22*	*8*	*296*	*198*	*30*	-	*6*	*588*	*5*	-	*593*
inter-segment revenues	-	-	-	-	-	*22*	*6*	*5*	-	*10*	*43*	*6*	*(49)*	-
Gain (loss) from commodity and freight derivatives, net	-	(1)	-	-	-	1,015	-	(1)	-	-	1,013	-	-	1,013
Total revenues	**342**	**3,143**	**470**	**728**	**12**	**32,229**	**1,169**	**371**	**-**	**196**	**38,660**	**11**	**(1,549)**	**37,122**
Purchases and consumables	26	(2,428)	(20)	(216)	(2)	(27,627)	(602)	(65)	-	(60)	(30,994)	1	1,355	(29,638)
external purchases and consumables	*52*	*(1,600)*	*(13)*	*(119)*	*(2)*	*(27,233)*	*(601)*	*(65)*	-	*(58)*	*(29,639)*	*1*		*(29,638)*
inter-segment purchases and consumables	*(26)*	*(828)*	*(7)*	*(97)*	-	*(394)*	*(1)*	-	-	*(2)*	*(1,355)*	-	*1,355*	-
Services	(9)	(91)	(37)	(72)	(2)	(288)	(139)	(70)	-	(86)	(794)	(35)	128	(701)
Personnel expenses	(29)	(121)	(36)	(50)	(2)	(221)	(39)	(109)	-	(29)	(636)	(23)	-	(659)
Depreciation, amortization and impairment	(139)	(230)	(28)	(59)	(2)	(185)	(108)	(61)	-	(28)	(840)	(34)	-	(874)
Emission rights, net	-	-	(2)	(191)	-	(1,344)	(1)	(17)	-	-	(1,555)	-	-	(1,555)
Own work, capitalized	2	23	2	2	-	2	1	1	-	-	33	-	-	33
Other operating income (expenses)	(8)	13	1	(3)	(1)	(306)	(12)	(20)	-	9	(327)	1	70	(256)
Profit (loss) from operations	**185**	**309**	**350**	**139**	**3**	**2,260**	**269**	**30**	**-**	**2**	**3,547**	**(79)**	**4**	**3,472**

FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

In millions of EUR

	EPIF Group					EPPE Group								
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information	Consolidated Financial Information
Finance income	69	15	2	6	-	(16)	(31)	85	-	4	134	*1,143	*(999)	278
external finance revenues	*69*	*3*	*2*	*1*	-	*(44)*	*(32)*	*6*	-	*4*	*9*	*269*	-	*278*
inter-segment finance revenues	-	*12*	-	*5*	-	*28*	*1*	*79*	-	-	*125*	**874*	**(999)*	-
Change in impairment on financial instruments and other financial assets	-	-	(1)	-	-	-	-	-	136	-	135	1	-	136
Finance expense	(31)	(22)	(4)	(2)	(1)	(136)	(12)	(6)	-	(2)	(216)	(190)	184	(222)
Net finance income (expense)	**38**	**(7)**	**(3)**	**4**	**(1)**	**(152)**	**(43)**	**79**	**136**	**2**	**53**	**954**	**(815)**	**192**
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	797	1	4	(53)	28	777	(2)	-	775
Gain(loss) on disposal of subsidiaries, joint ventures, joint operations and associates	-	-	-	-	-	-	-	-	-	-	-	227	-	227
Profit (loss) before income tax	**223**	**302**	**347**	**143**	**2**	**2,905**	**227**	**113**	**83**	**32**	**4,377**	***1,100**	***(811)**	**4,666**
Income tax expenses	(55)	(73)	(85)	(27)	(1)	(480)	(99)	(42)	-	(2)	(864)	(11)	-	(875)
Profit (loss) for the year	**168**	**229**	**262**	**116**	**1**	**2,425**	**128**	**71**	**83**	**30**	**3,513**	***1,089**	***(811)**	**3,791**

* EUR 815 million is attributable to intra-group dividends primarily recognised by Czech Gas Holding Investment B.V., SPP Infrastructure, a.s., EP Energy, a.s., EP New Energy Italia S.r.l. and EP Power Europe, a.s.

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Generation and Mining	Renewable Energy	EPPE Other	EPH Other	Total segments	Holding Entities	Intersegment eliminations	Consolidated Financial Information	Consolidated Financial Information
Other financial information:														
Underlying EBITDA(1)	324	539	378	198	5	2,445	377	91	-	30	4,387	(45)	4	4,346

(1) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, change in impairment on financial instruments and other financial assets, share of profit (loss) of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures, joint operations and associates, depreciation, amortization and impairment of tangible and intangible assets and negative goodwill.

UNDERLYING EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE

The underlying EBITDA reconciles to the profit as follows:

FOR THE YEAR ENDED 31 DECEMBER 2023

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Flexible power generation	EPPE Renewable	EPPE Other	EPH Carbon-neutral	EPH Other	Total segments	Holding Entities	Inter-segment eliminations	Consolidated Financial Information
Underlying EBITDA	**139**	**596**	**364**	**124**	**2**	**2,085**	**283**	**11**	**-**	**36**	**3,640**	**(53)**	**-**	**3,587**
Depreciation, amortisation and impairment	(117)	(240)	(37)	(60)	(4)	(209)	(78)	(53)	-	(29)	(827)	-	-	(827)
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	3	-	3
Finance income	5	27	17	17	-	119	7	218	-	(1)	409	3,278	(1,743)	1,944
Change in impairment on financial instruments and other financial assets	-	(4)	(2)	-	-	(5)	-	(2)	-	-	(13)	1	-	(12)
Finance expense	(35)	(19)	(8)	(3)	(1)	(376)	(10)	(15)	-	(3)	(470)	(359)	411	(418)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	763	1	2	225	8	999	-	-	999
Gain(loss) on disposal of subsidiaries, joint ventures, joint operations and associates	-	-	-	-	-	3	-	(14)	-	-	(11)	96	11	96
Income tax	2	(87)	(81)	(21)	-	(435)	(47)	(40)	-	(1)	(710)	53	-	(657)
Profit for the year	**(6)**	**273**	**253**	**57**	**(3)**	**1,945**	**156**	**107**	**225**	**10**	**3,017**	**3,019**	**(1,321)**	**4,715**

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Flexible power generation	EPPE Renewable	EPPE Other	EPH Carbon-neutral	EPH Other	Total segments	Holding Entities	Inter-segment eliminations	Consolidated Financial Information
Underlying EBITDA	**324**	**539**	**378**	**198**	**5**	**2,445**	**377**	**91**	**-**	**30**	**4,387**	**(45)**	**4**	**4,346**
Depreciation, amortisation and impairment	(139)	(230)	(28)	(59)	(2)	(185)	(108)	(61)	-	(28)	(840)	(34)	-	(874)
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance income	69	15	2	6	-	(16)	(31)	85	-	4	134	1,143	(999)	278
Change in impairment on financial instruments and other financial assets	-	-	(1)	-	-	-	-	-	136	-	135	1	-	136
Finance expense	(31)	(22)	(4)	(2)	(1)	(136)	(12)	(6)	-	(2)	(216)	(190)	184	(222)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	797	1	4	(53)	28	777	(2)	-	775
Gain(loss) on disposal of subsidiaries, joint ventures, joint operations and associates	-	-	-	-	-	-	-	-	-	-	-	227	-	227
Income tax	(55)	(73)	(85)	(27)	(1)	(480)	(99)	(42)	-	(2)	(864)	(11)	-	(875)
Profit for the year	**168**	**229**	**262**	**116**	**1**	**2,425**	**128**	**71**	**83**	**30**	**3,513**	**1,089**	**(811)**	**3,791**

Operating segments

SEGMENT ASSETS AND LIABILITIES

FOR THE YEAR ENDED 31 DECEMBER 2023

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Flexible power generation	EPPE Renewable	EPPE Other	EPH Carbon-neutral	EPH Other	Total segments	Holding Entities	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	4,335	6,399	1,027	1,054	18	12,386	1,016	885	684	320	28,124	5,735	(4,986)	28,873
Reportable segment liabilities	(2,045)	(2,348)	(364)	(432)	(9)	(9,267)	(410)	(662)	-	(161)	(15,698)	(8,951)	4,986	(19,663)
Additions to tangible and intangible assets[(1)]	7	133	32	301	-	2,333	30	99	-	46	2,981	1	-	2,982
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	5	104	25	62	-	535	28	69	-	28	856	1	-	857
Equity accounted investees	-	1	-	-	-	70	2	20	684	96	873	1	-	874

(1) This balance includes additions to right of use assets, emission rights and goodwill.

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of EUR

	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other	Flexible power generation	EPPE Renewable	EPPE Other	EPH Carbon-neutral	EPH Other	Total segments	Holding Entities	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	4,431	6,180	1,063	1,094	25	16,486	1,066	704	-	285	31,334	3,676	(4,558)	30,452
Reportable segment liabilities	(2,407)	(2,829)	(430)	(484)	(12)	(12,568)	(531)	(609)	-	(138)	(20,008)	(7,872)	4,558	(23,322)
Additions to tangible and intangible assets[(1)]	37	117	23	234	1	1,575	63	71	-	27	2,148	-	-	2,148
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	32	89	10	40	1	475	63	30	-	12	752	-	-	752
Equity accounted investees	-	1	-	-	1	1,109	1	21	-	88	1,221	-	-	1,221

(1) This balance includes additions to right of use assets, emission rights and goodwill.

INFORMATION ABOUT GEOGRAPHICAL AREAS

In presenting information on the basis of geography, segment revenue is based on geographical location of delivery of goods and services and segment assets are based on the geographical location of the assets.

FOR THE YEAR ENDED 31 DECEMBER 2023

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Nether-lands	Switzer-land	Other	Total
Property, plant and equipment	684	9,193	705	406	848	73	121	640	23	4	12,697
Intangible assets and goodwill	316	41	133	19	87	9	71	73	-	-	749
Investment property	3	-	-	-	18	-	-	-	-	-	21
Total	**1,003**	**9,234**	**838**	**425**	**953**	**82**	**192**	**713**	**23**	**4**	**13,467**

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Nether-lands	Switzer-land	Other	Total
Revenues: Electricity	1,080	1,409	1,758	2,525	2,811	216	775	1,984	1,230	1,335	15,123
Revenues: Gas	347	1,018	2,070	553	276	1,131	213	222	187	(49)	5,968
Revenues: Coal	84	12	210	-	-	-	22	-	23	123	474
Revenues: Heat	157	-	6	-	-	-	-	-	-	-	163
Revenues: Other energy products	2	2	29	1	7	-	9	3	-	23	76
Revenues: Logistics and freight services	65	5	95	-	34	-	2	4	85	261	551
Revenues: Other	33	31	247	(1)	48	-	2	4	38	204	606
Gain (loss) from commodity and freight derivatives, net	68	(177)	397	181	(221)	-	1,240	80	(117)	(204)	1,247
Total	**1,836**	**2,300**	**4,812**	**3,259**	**2,955**	**1,347**	**2,263**	**2,297**	**1,446**	**1,693**	**24,208**

The geographical area “Other” comprises income items primarily from Luxembourg, Poland and Norway.[1]

(1) Revenues from Luxembourg include mainly derivative transactions on energy exchanges.

FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Nether-lands	Switzer-land	Other	Total
Property, plant and equipment	675	8,818	666	401	891	82	96	-	17	3	11,649
Intangible assets and goodwill	292	40	101	22	94	26	52	-	-	-	627
Investment property	3	-	-	-	18	-	-	-	-	-	21
Total	**970**	**8,858**	**767**	**423**	**1,003**	**108**	**148**	**-**	**17**	**3**	**12,297**

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Nether-lands	Switzer-land	Other	Total
Revenues: Electricity	821	1,678	1,780	5,015	5,960	464	4,636	4	687	2,506	23,551
Revenues: Gas	602	1,007	1,207	784	1,019	1,218	125	164	765	3,185	10,076
Revenues: Coal	61	20	231	-	-	-	15	-	-	81	408
Revenues: Heat	148	-	4	-	-	-	-	-	-	-	152
Revenues: Other energy products	2	2	39	1	10	-	13	3	1	10	81
Revenues: Logistics and freight services	78	4	210	43	112	11	8	3	180	599	1,248
Revenues: Other	39	22	303	1	53	2	4	1	(19)	187	593
Gain (loss) from commodity and freight derivatives, net	358	21	(984)	71	491	(319)	604	(59)	455	375	1,013
Total	**2,109**	**2,754**	**2,790**	**5,915**	**7,645**	**1,376**	**5,405**	**116**	**2,069**	**6,943**	**37,122**

The geographical area “Other” comprises income items primarily from Luxembourg, Hungary and Austria.[1]

(1) Revenues from Luxembourg include mainly derivative transactions on energy exchanges.

6. Acquisitions and disposals of subsidiaries, joint ventures, joint operations and associates

A ACQUISITIONS AND STEP ACQUISITIONS

I. 31 DECEMBER 2023

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries			
Rijnmond Power Holding B.V.	05/01/2023	100	100
PZEM Energy Company B.V., PZEM Pipe B.V., Sloe Centrale Holding B.V. and their subsidiaries ("PZEM and Sloe Group")	25/01/2023	100	100
MaasStroom Energie C.V.	23/05/2023	100	100
SGL – Schienen Güter Logistik GmbH	31/10/2023	100	100
New joint operation			
Enecogen V.O.F.	23/05/2023	50	50

RIJNMOND POWER HOLDING B.V., PZEM AND SLOE GROUP

On 25 January 2023, EPH closed, via its subsidiary EP Netherlands B.V. ("EP NL"), the acquisition of Sloe power plant with 870 MW installed capacity from ZEH N.V. and French electric utility company EDF S.A. In addition, on 5 January 2023, EP NL acquired Rijnmond power plant with 810 MW installed capacity. Besides the power plant portfolio, EP NL has also acquired PZEM Energy Company B.V. from ZEH N.V. which includes the ZBL pipeline (a 55 km gas pipeline supplying the Sloe Power Plant), trading business and B2B power and gas supply.

MAASSTROOM ENERGIE C.V. AND ENECOGEN V.O.F.

On 23 May 2023, EP NL has successfully concluded an agreement with Castleton Commodities International LLC (CCI), securing the acquisition of two gas-fired power plants. EP NL has acquired full ownership of MaasStroom, a gas-fired power plant located in Rotterdam (Pernis) with an installed capacity of 426 MW. Additionally, EP NL has acquired a 50% stake in Enecogen, a gas-fired power plant situated in Rotterdam (Europoort) with a total installed capacity of 910 MW (share of EPH is 455 MW). The remaining 50% stake in Enecogen will continue to be held by the Dutch energy company, Eneco N.V. These strategic acquisitions, together with the previous Dutch acquisitions, have enabled EP NL to establish a portfolio comprising four highly efficient gas-fired power plants. With a cumulative capacity of 2.6 GW, EP NL now ranks as the third largest operator of power plants in the Netherlands, which will ensure a stable supply of energy in the ongoing complex energy transition.

SGL – SCHIENEN GÜTER LOGISTIK GMBH

On 31 October 2023, EP Logistics International, a.s. (EPLI), a subsidiary of Energetický a průmyslový holding, a.s., has completed the acquisition of 100% stake in the established German company SGL – Schienen Güter Logistik GmbH, a logistics company which will complement EPLI's portfolio of services in the field of rail freight transportation and construction logistics.

ACQUISITION OF NON-CONTROLLING INTEREST

On 25 May 2023, the Group acquired additional 20% interest in Kinet s.r.o. The ownership of the Group in Kinet s.r.o. increased from 80% to 100% (effective interest increased from 27.05% to 33.81%).

On 4 December 2023, the Group acquired additional 9% interest in Alternative Energy, s.r.o. The ownership of the Group in Alternative Energy, s.r.o. increased from 90% to 99% (effective interest increased from 62.1% to 68.31%).

The transactions resulted in the derecognition of non-controlling interest in amount of EUR 1 million.

II. 31 DECEMBER 2022

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries			
PW geoenergy a.s.	28/04/2022	51	51
EP Power Grit GmbH and its subsidiaries ("EP Power Grit")	01/12/2022	100	100
New associates			
SŽ EP Logistika d.o.o. and its subsidiaries ("SŽ EP Logistika Group")	14/01/2022	49	49

PW GEOENERGY A.S.

On 28 April 2022, the Group through its subsidiary Stredoslovenská energetika Holding, a.s. acquired 51% interest in PW geoenergy a.s. which is a project company pursuing a geothermal project in Central Slovakia.

EP POWER GRIT

On 1 December 2022, EP Power Minerals GmbH, through its newly established subsidiary company EP Power Grit GmbH, acquired blasting abrasive activities of SCR-Sibelco. Trading in blasting abrasives has been an important part of EP Power Minerals' business model for many years. The company intends to strengthen its position by buying the abrasives business of SCR-Sibelco. As a result of the acquisition, the high-quality product range will in the future be produced by EP Power Grit with state-of-the-art production facilities at five locations in Germany, Belgium, the Netherlands and Finland.

SŽ EP LOGISTIKA GROUP

On 14 January 2022, EP Logistics International, a.s. ("EPLI") closed a strategic partnership agreement with Slovenian company SŽ d.o.o. SŽ d.o.o. has contributed SŽ-TP d.o.o. and Fersped d.o.o. to the company and EPLI has contributed the agreed amount of money. The company SŽ EP Logistika d.o.o. will become one of the key carriers of freight transport and logistics in the region, which includes the territories of Bosnia and Herzegovina, Croatia, Northern Macedonia, Montenegro, Serbia, Slovenia, Austria, Hungary and Italy. The bodies of the company, as well as the bodies of SŽ-TP and Fersped were strengthened with top international experts in this field. From the very beginning, the new partnership will start a new chapter in the international development of freight transport and logistics of the SŽ and EPLI groups, strengthened not only in terms of capital but also in terms of human resources.

ACQUISITION OF NON-CONTROLLING INTEREST

On 1 September 2022, the Group acquired additional 10% interest in Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH ("Norgam"). Additional 5% were acquired through both parent entities – Tagebau Profen GmbH & Co. KG and Tagebau Schleenhain GmbH & Co. KG. The ownership of the Group in Norgam increased from 51% to 61%. The transaction resulted in the derecognition of non-controlling interest in amount of EUR 1 million.

B EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2023

SUBSIDIARIES AND JOINT OPERATIONS

The fair value of the amounts recognized for assets acquired and liabilities assumed as at the acquisition dates of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V., Enecogen V.O.F.and SGL – Schienen Güter Logistik GmbH are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustments	2023 Total(1)
Property, plant, equipment, land, buildings	626	47	673
Intangible assets	15	(2)	13
Trade receivables and other assets	852	(27)	825
Financial instruments and other financial assets	388	-	388
Inventories	36	-	36
Cash and cash equivalents	171	-	171
Deferred tax assets	68	33	101
Provisions	(117)	-	(117)
Deferred tax liabilities	(19)	(29)	(48)
Loans and borrowings	(626)	-	(626)
Financial instruments and other financial liabilities	(552)	-	(552)
Trade payables and other liabilities	(274)	27	(247)
Net identifiable assets and liabilities	**568**	**49**	**617**
Goodwill on acquisitions of subsidiaries/joint operation			13
Negative goodwill on acquisition of subsidiaries			(3)
Cost of acquisition			**627**
Consideration paid, satisfied in cash (A)			627
Purchase price liability			-
Total consideration transferred			**627**
Less: Cash acquired (B)			171
Net cash inflow (outflow) (C) = (B – A)			**(456)**

(1) Represents values at 100% share for Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and SGL – Schienen Güter Logistik GmbH and values at 50% share for joint operation Enecogen V.O.F.

II. 31 DECEMBER 2022

SUBSIDIARIES

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of subsidiaries of EP Power Grit are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustments	2022 Total(1)
Property, plant, equipment, land, buildings	2	-	2
Trade receivables and other assets	3	-	3
Inventories	2	-	2
Cash and cash equivalents	1	-	1
Provisions	(1)	-	(1)
Trade payables and other liabilities	(2)	-	(2)
Net identifiable assets and liabilities	**5**	**-**	**5**
Goodwill on acquisitions of new subsidiaries			11
Cost of acquisition			**16**
Consideration paid, satisfied in cash (A)			16
Total consideration transferred			**16**
Less: Cash acquired (B)			1
Net cash inflow (outflow) (C) = (B – A)			**(15)**

(1) Represents values at 100% share.

The table does not include the effects from the acquisition of PW geoenergy a.s. With the acquisition of PW geoenergy a.s., the Group acquired intangible assets of EUR 6 million.

ASSOCIATES

The fair value of the amounts recognized for assets acquired and liabilities assumed as at the acquisition date of EP SŽ Logistika Group are provided in the following table.

In millions of EUR

	2022 Total
Non-current assets	146
Current assets	114
Fair value of assets	**260**
Non-current liabilities	(102)
Current liabilities	(54)
Fair value of liabilities	**(156)**
Fair value of identifiable net assets	**104**
Net assets value attributable to the Group's share	**51**

III. RATIONALE FOR ACQUISITIONS

The Group's strategic rationale for realised acquisitions comprised several factors, including:

- the subsidiaries' businesses are complementary to EPH's portfolio;
- potential for synergic effects;
- the subsidiaries have an advantageous position within the market;
- subject industries are expected to grow in the future;
- further vertical integration of the trading activities with the generation activities.

As further expansion in energy sectors of the countries in which the Group currently has operations is one of the strategic aims of the Group, EPH is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position and become an important participant in the energy market in the Central and Western Europe.

The Group's view is that there is long-term strategic value in these investments due to the development of the market.

In 2023, the Group recognized goodwill of EUR 13 million from the acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group and Enecogen V.O.F. and negative goodwill of EUR 3 million from the acquisition of SGL – Schienen Güter Logistik GmbH.

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 millions of EUR

	2023
Revenue of the acquirees recognised since the acquisition date*(1)	1,957
Profit (loss) of the acquirees recognised since the acquisition date*(1)	209

In millions of EUR

	2022
Revenue of the acquirees recognised since the acquisition date	-
Profit (loss) of the acquirees recognised since the acquisition date	-

* Before intercompany elimination with other Group companies.
(1) Revenues and profit (loss) include figures corresponding to the Group's share of 50% for joint operation Enecogen V.O.F.

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2023 or as at 1 January 2022); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

In millions of EUR

	2023
Revenue of the acquirees recognised in the year ended 31 December 2023*(1)	2,091
Profit (loss) of the acquires recognised in the year ended 31 December 2023*(1)	233

In millions of EUR

	2022
Revenue of the acquirees recognised in the year ended 31 December 2022*	16
Profit (loss) of the acquires recognised in the year ended 31 December 2022*	1

* Before intercompany elimination with other Group companies; based on IFRS or local statutory financial information.
(1) Revenues and profit (loss) include figures corresponding to the Group's share of 50% for joint operation Enecogen V.O.F.

For details on major acquisitions please refer also to Appendix 1 – Business combinations.

C BUSINESS COMBINATIONS – ACQUISITION ACCOUNTING 2023 AND 2022

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the parent company Energetický a průmyslový holding, a.s. (except for acquisitions under common control, which are carried in net book values); 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 among the net assets acquired for financial statement reporting purposes was performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which also involves certain estimates and approximations such as business plan forecasts, useful life of assets, and the weighted average cost of capital components). Any prospective information that may impact the future value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail 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 2023 are presented in the following table:

In millions of EUR

	Property, plant and equipment	Intangible assets	Trade receivables and other assets	Deferred tax asset	Trade payables and other liabilities	Deferred tax liability	Total net effect on financial position
Subsidiary/joint operation							
Rijnmond Power Holding B.V.	(2)	-	-	-	-	-	**(2)**
Sloe Group	(127)	(2)	-	33	-	-	**(96)**
MaasStroom Energie C.V.	129	-	-	-	27	(24)	**132**
Enecogen V.O.F.	47	-	(27)	-	-	(5)	**15**
Total	**47**	**(2)**	**(27)**	**33**	**27**	**(29)**	**49**

The fair value adjustments resulting the acquisition and purchase price allocation of SGL – Schienen Güter Logistik GmbH were not significant and therefore the management of the Group decided not to recognize any fair value adjustments resulting from this acquisition.

In 2022, the fair value adjustments resulting from the purchase price allocation of SŽ EP Logistika Group and EP Power Grit were not significant and therefore the management of the Group decided not to recognize any fair value adjustments resulting from this acquisition of share in associate and business combination in 2022.

D DISPOSAL OF INVESTMENTS

I. 31 DECEMBER 2023

During the year 2023 the Group disposed of its investments in:

In millions of EUR

	Date of disposal	Equity interest disposed %
Subsidiaries and associates disposed		
EPH Financing SK, a.s. v likvidácii	06/04/2023	100
LEAG Holding, a.s., Lausitz Energie Verwaltungs GmbH and its subsidiaries and associates ("LEAG Group")	29/09/2023 and 27/12/2023	50

On 6 April 2023, in connection with the liquidation process of EPH Financing SK, a.s. v likvidácii, the company was deconsolidated without any significant impact on the Group's financial statements.

LEAG GROUP

In 2023, the Group announced a plan to transfer energy transition assets from the EPH Group into EP Energy Transition, the holding company of a newly established group. Subsequent to the announcement, the Group reclassified interest in joint venture LEAG to assets held for sale on 30 June 2023 and ceased to apply equity method prospectively from the date of reclassification. The divestment of 50% share in the LEAG Group took place in two tranches during second half of 2023. The effect is provided in the following table:

In millions of EUR

	Net assets sold in 2023
Equity accounted investees	(1,783)
Hedging reserve recycled to profit and loss	(53)
Net assets value disposed	**(1,836)**
Consideration, other[1]	1,932
Total consideration received	**1,932**
Gain on disposal[2]	**96**

(1) Consideration other represents receivable from sale of LEAG. The receivable from sale was assigned in a series of transactions to the shareholders of the Company and the receivable from assignment was ultimately set off with the liability from dividends declared by Energetický a průmyslový holding a.s. (non-cash settlement).
(2) Gain on disposal is presented within line item "Gain from disposal of subsidiaries, joint ventures, joint operations and associates".

PARTIAL DISPOSALS

The disposal of LEAG Group led to partial disposal of investments in EP New Energy Italia S.r.l. ("EPNEI Group") and its subsidiaries and EP New Energies GmbH ("EPNE"). The ownership interest of the Group in EPNEI Group decreased from 75.5% to 51% and the ownership interest in EPNE Group decreased from 90% to 80%. The transactions resulted in increase of non-controlling interest by EUR 16 million.

On 15 August 2023, the Group decreased its ownership interest in Greeninvest Energy, a.s. from 41.67% to 39.73% with immaterial impact on the financial statements of the Group.

II. 31 DECEMBER 2022

During the year 2022 the Group disposed of its investments in:

In millions of EUR

	Date of disposal	Equity interest disposed %
Subsidiaries and associates disposed		
Nafta Exploration d.o.o.	22/02/2022	47.59
Domky Myslivecká, s.r.o.	2/11/2022	100
Mirtheaven a.s.	20/12/2022	100
EP Real Estate, a.s. and its subsidiaries and associates	22/12/2022	100

On 22 February 2022, Nafta Exploration d.o.o. was dissolved from Commercial Register and deconsolidated without any significant impact on the Group's financial statements.

On 2 November 2022, the Group disposed 100% interest in Domky Myslivecká, s.r.o. without any significant impact on the Group's financial statements.

On 7 November 2022, DCR INVESTMENT a.s., v likvidaci was dissolved from Commercial Register. The entity was deconsolidated already in 2020 due to immateriality.

On 20 December 2022, the Group disposed 100% interest in Mirtheaven a.s. without any significant impact on the Group's financial statements.

On 22 December 2022, the Group disposed 100% interest in EP Real Estate, a.s. and its subsidiaries and associates. The effect is provided in the following table:

In millions of EUR

	Net assets sold in 2022
Property, plant and equipment	(75)
Trade receivables and other assets	(4)
Financial instruments – assets	(20)
Cash and cash equivalents	(4)
Deferred tax liabilities	5
Trade payables and other liabilities	4
Net identifiable assets and liabilities	**(94)**
Non-controlling interest	3
Translation difference recycled to profit and loss	2
Net assets value disposed	**(89)**
Consideration, other[1]	316
Total consideration received	**316**
Less: Cash disposed of	(4)
Net cash outflows	**(4)**
Gain (loss) on disposal	**227**

(1) Consideration other represents receivable from sale of 100% share in EP Real Estate, a.s. The receivable was set off with the liability from dividends declared by Energetický a průmyslový holding, a.s. to the buyers which are shareholders of the Company.

7. Revenues

In millions of EUR

	2023	2022
Revenues: Energy and related services		
of which: Electricity	15,123	23,551
Gas	5,968	10,076
Coal	474	408
Heat	163	152
Other energy products	76	81
Total Energy and related services	**21,804**	**34,268**
Revenues: Logistics and freight services	**551**	**1,248**
Revenues: Other	**606**	**593**
Total Revenues from customers	**22,961**	**36,109**
Gain from commodity and freight derivatives, net	**1,247**	**1,013**
Total	**24,208**	**37,122**

For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

Revenues: Energy and related services: Gas include revenues from sale of gas and also revenue from distribution of gas of EUR 485 million (2022: EUR 427 million), gas storage of EUR 455 million (2022: EUR 426 million) and from gas transmission of EUR 264 million (2022: EUR 342 million).

Revenues: Energy and related services: Electricity consists primarily of sale of electricity of EUR 14,810 million (2022: EUR 23,346 million). The amount of EUR 313 million (2022: EUR 205 million) relates to distribution of electricity.

Revenues from logistics and freight services and other revenues are represented mainly by sales of gypsum, revenues from transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

In 2023 and 2022, no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

Line item “Gain (loss) from commodity and freight derivatives, net” comprises of transactions related mostly to derivatives held for risk management purposes for which hedge accounting documentation under IFRS is however not prepared. This includes measurement of unsettled derivatives to fair value as at the balance sheet date as well as certain reclassification adjustments between gain (loss) from commodity derivatives and revenues from energy and related services related to derivative contract held for risk management purposes, which are reported as trading derivatives according to IFRS requirements. As a result of IFRS treatment, revenues from sale of underlying commodity are measured using fair value of the underlying commodity as at the date of settlement of the derivative contract and difference between contracted price and fair value is included in Gain (loss) from commodity and freight derivatives.

Total revenues less total purchases and consumables are presented in line “Subtotal” in the statement of comprehensive income.

Contract assets and liabilities primarily relate to not invoiced part of fulfilled performance obligation, received payments for services and goods where control over the assets was not transferred to customer and deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers.

Several items of gas equipment (typically connection terminals) were obtained “free of charge” from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to provide services to the customers in the future periods. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

CONTRACT ASSETS AND LIABILITIES

The amount of EUR 71 million recognised in current contract liabilities at the beginning of the year was recognised as revenue during the year 2023.

8. Purchases and consumables

In millions of EUR

	2023	2022
Purchase cost of sold electricity	7,864	13,652
Purchase cost of sold gas and other energy products	5,206	8,629
Consumption of energy	2,685	5,392
Other purchase costs	865	1,406
Consumption of fuel and other material	467	366
Other purchases	158	207
Changes in WIP, semi-finished products and finished goods	(81)	(14)
Total purchases and consumables	**17,164**	**29,638**

Purchases and consumables presented in the above table contain only purchase cost of sold energy and materials consumed in producing energy output, it does not contain directly attributable overhead (particularly services, personnel expenses, depreciation and amortisation, emission rights etc.).

9. Services

In millions of EUR

	2023	2022
Repairs and maintenance	227	179
Transport expenses	139	118
Consulting expenses	80	59
Network fees	59	37
Outsourcing and other administration fees	57	51
Insurance expenses	45	38
Information technologies costs	41	25
Industrial waste	38	42
Rent expenses	30	26
Environmental protection	27	20
Advertising expenses	13	9
Training, courses, conferences	8	6
Security services	6	6
Communication expenses	5	3
Other	113	82
Total	**888**	**701**

FEES PAYABLE TO STATUTORY AUDITORS

In millions of EUR

	2023	2022
Statutory audits	8	6
Services in addition to the statutory audits	3	1
Total	**11**	**7**

Fees payable to statutory auditors include expenses recorded by all subsidiaries and also joint operations accounted for using proportionate consolidation. Statutory audits include fees payable for statutory audits of financial statements. Services in addition to the statutory audits include primarily the following services: review of the condensed interim consolidated financial statements of EPIF and EPH Groups; assistance with the compilation of the Sustainability Report; expert opinion on R&D allowance; provision of comfort letter and other special reports (covenant compliance; gas flow; AUP over Slovak FS; review report).

10. Personnel expenses

In millions of EUR

	2023	2022
Wages and salaries	553	503
Compulsory social security contributions	141	124
Expenses and revenues related to employee benefits (IAS 19)	10	7
Board members' remuneration (including boards of subsidiaries)	6	6
Other social expenses	40	19
Total	**750**	**659**

The average number of employees during 2023 was 10,967 (2022: 10,420), of which 274 were executives (2022: 228).

11. Emission rights, net

In millions of EUR

	2023	2022
Deferred income (grant) released to profit and loss	42	100
Profit (loss) from sale of emission rights	(115)	(332)
Creation and release of provision for emission rights	(1,256)	(1,613)
Gain (loss) from commodity derivatives for trading with emission rights, net	(193)	290
Use of provision for emission rights	1,536	1,334
Consumption of emission rights	(1,536)	(1,334)
Total	**(1,522)**	**(1,555)**

12. Other operating income (expense), net

In millions of EUR

	2023	2022
Compensation from insurance and other companies	16	18
Consulting fees	14	23
Rental income	9	14
Government grants received	9	6
Ecological tax reimbursement	5	5
Contractual penalties	3	2
Profit from sales of material	2	2
Property acquired free-of-charge and fees from customers	2	-
Gain on disposal of tangible and intangible assets	-	1
Other	56	37
Other operating income	**116**	**108**
Taxes and charges	(103)	(112)
Change in impairment	(99)	(90)
Trading fees	(85)	(14)
Office equipment and other material	(34)	(29)
Repairs and maintenance material	(30)	(31)
Contractual penalties	(26)	(15)
Gifts and sponsorship	(7)	(16)
Creation and reversal of provision	(7)	(9)
Re-transmission fee	(6)	(7)
Intermediation fees	(5)	(5)
Shortages and damages	(3)	(3)
Loss on disposal of tangible and intangible assets	(3)	-
Loss from receivables written-off	-	(1)
Other	(41)	(32)
Other operating expense	**(449)**	**(364)**
Other operating income (expense), net	**(333)**	**(256)**

Taxes and charges include carbon price support tax, property tax, electricity tax, gas tax and other taxes and charges.

No material research and development expenses were recognized in profit and loss for the years ended 31 December 2023 and 31 December 2022.

13. Net finance income (expense)

In millions of EUR

	2023	2022
Interest income	123	56
Fee and commission income	50	52
Dividend income	6	7
Finance income	**179**	**115**
Profit from revaluation of financial instruments at fair value(1)	1,470	140
Profit from revaluation of contingent consideration(2)	210	8
Net foreign exchange gain (loss)	87	(78)
Profit from trading derivatives(3)	21	100
Profit (loss) from hedging derivatives	1	(3)
Profit (loss) from sale of financial instruments	(6)	(4)
Profit from financial liabilities at amortized cost	(18)	-
Profit (loss) from financial instruments	**1,765**	**163**
Total finance income	**1,944**	**278**
Change in impairment on financial assets (including receivables written off)(4)	(12)	136
Total change in impairment on financial assets	**(12)**	**136**
Interest expense	(348)	(205)
Fees and commissions expense for other services	(41)	(23)
Interest expense from unwind of provision discounting	(29)	6
Total finance expense	**(418)**	**(222)**
Net finance income (expense)	**1,514**	**192**

(1) Represents mainly profit from revaluation of equity option related to call option of EP Slovakia B.V. over additional 50% interest in Slovak Power Holding B.V., the owner of 66% shares in Slovenské elektrárne a.s. For further details of the option scheme refer to Note 17 – Equity accounted investees.
(2) For details refer to Note 27 – Financial instruments and Note 28 – Trade payables and other liabilities.
(3) All derivatives are for the risk management purposes.
(4) For details refer to Note 17 – Equity accounted investees.

14. Income tax expenses

INCOME TAXES RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2023	2022
Current taxes:		
Current year	(667)	(919)
Adjustment for prior periods	(4)	(1)
Withholding tax	(3)	-
Total current taxes	**(674)**	**(920)**
Deferred taxes:		
Origination and reversal of temporary differences(1)	17	45
Total deferred taxes	**17**	**45**
Total income taxes (expense) benefit recognised in profit or loss	**(657)**	**(875)**

(1) For details refer to Note 18 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 434 million (2022: EUR 646 million) is mainly represented by EP Mehrum GmbH of EUR 147 million (2022: EUR 43 million), EP UK Investment Group of EUR 80 million (2022: EUR 69 million), EP Netherlands Group of EUR 51 million (2022: EUR 0 million) and EP Commodities AG of EUR 28 million (2022: EUR 0 million).

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled. The corporate income tax rates in respective countries were as follows:

	Tax rate	
Country	**2023**	**2022**
The Czech Republic	19%(1)	19%
France	25%	25%
Germany	24.23%–32.96%	26.95%–31.93%
Ireland	12.5%	12.5%
Italy	24%	24%
The Netherlands	19%/25.8%(2)	19%/25.8%(2)
Poland	19%	19%
Slovakia	21%	21%
Switzerland	12.5%	12.5%
United Kingdom	23.5%	19%

(1) Corporate income tax is 19% for fiscal year 2023 and 21% from fiscal year 2024.
(2) Rate 19% applies to income below EUR 200 thousand.

Current year income tax includes also special sector tax effective in Slovakia, the Czech Republic, the United Kingdom and in 2022 also in Italy.

PILLAR TWO INCOME TAX (GLOBAL MINIMUM TOP-UP TAX)

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation. However, the legislation was enacted close to the reporting date. Additionally, further guidance affecting the implication of the Pillar Two legislation is still being issued by the legislators. As the result, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential material exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group is actively continuing to monitor the development of the Pillar Two legislation in all countries where it operates and assessing the potential impact of Pillar Two.

In relation to deferred taxes, the Group has applied a temporary mandatory exemption from deferred tax accounting impact and neither recognizes nor discloses information about deferred tax related to Pillar Two income taxes.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In millions of EUR

		2023	
	Gross	**Income tax**	**Net of income tax**
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	593	(114)	479
Fair value reserve included in other comprehensive income	(50)	5	(45)
Share of the other comprehensive income of equity accounted investees(1)	2	-	2
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(62)	-	(62)
Effective portion of changes in fair value of cash-flow hedges	319	(101)	218
Share of the other comprehensive income of equity accounted investees(1)	441	-	441
Share of the other comprehensive income of equity accounted investees reclassified to profit or loss on disposal, net of tax(1)	53	-	53
Total	**1,296**	**(210)**	**1,086**

(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.

In millions of EUR

	2022		
	Gross	Income tax	Net of income tax
Items that are not reclassified subsequently to profit or loss			
Fair value reserve included in other comprehensive income	118	(20)	98
Share of the other comprehensive income of equity accounted investees[1]	13	-	13
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(19)	-	(19)
Effective portion of changes in fair value of cash-flow hedges	760	(72)	688
Share of the other comprehensive income of equity accounted investees[1]	(546)	-	(546)
Total	**326**	**(92)**	**234**

(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.

RECONCILIATION OF THE EFFECTIVE TAX RATE

In millions of EUR

	2023		2022	
	%		%	
Profit before tax		5,372		4,666
Income tax using the Company's domestic rate (19%)	19.0%	1,021	19.0%	887
Effect of tax rates in foreign jurisdictions	3.6%	191	2.8%	131
Change in tax rate	(0.4%)	(20)	(0.1%)	(5)
Non-deductible expenses[1]	1.7%	90	6.1%	278
Non-taxable income[2]	(10.0%)	(538)	(9.3%)	(432)
Share of (profit) loss of equity accounted investees	(3.5%)	(190)	(3.1%)	(147)
Tax incentives	(0.1%)	(7)	0.1%	2
Recognition of previously unrecognized tax losses	(0.3%)	(18)	(0.2%)	(7)
Effect of special levy for business in regulated services[3]	0.6%	32	3.4%	160
Current year losses for which no deferred tax asset was recognized	0.1%	7	0.2%	11
Change in temporary differences for which no deferred tax asset is recognized	(0.1%)	(7)	-	(1)
Current period adjustment for deferred tax recognized in prior period	1.7%	89	(0.1%)	(3)
With holding tax, income tax adjustments for prior periods	0.1%	7	-	1
Income taxes recognised in profit or loss	**12.4%**	**657**	**18.8%**	**875**

(1) The basis consists mainly of non-deductible interest expenses of EUR 156 million (2022: EUR 88 million), non-deductible expenses related to derivatives of EUR 40 million (2022: EUR 549 million) and in the year ended 31 December 2022 also sale of investment in EPRE Group of EUR 108 million and creation of provision of EUR 134 million.
(2) The basis consists mainly of profit from revaluation of equity option of EUR 1,470 million (2022: EUR 140 million), profit from revaluation of contingent consideration of EUR 210 million (2022: EUR 8 million), non-taxable income related to derivatives of EUR 155 million (2022: EUR 584 million), gain from sale of investment in LEAG Group of EUR 96 million (2022: gain from sale of investment in EPRE Group of EUR 335 million) and in the year ended 31 December 2022 also reversal of valuation allowance in equity investee of EUR 136 million.
(3) The item relates to special industry taxes.

15. Property, plant and equipment

In millions of EUR

	Land and buildings[1]	Gas transmission pipelines – fair value model	Gas distribution pipelines – fair value model	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation		*Level 3*	*Level 3*				
Balance at 1 January 2023	**2,626**	**3,922**	**3,932**	**5,402**	**54**	**351**	**16,287**
Effects of movements in foreign exchange	(13)	-	-	(1)	(1)	2	**(13)**
Additions	62	-	11	255	2	259	**589**
Additions through business combinations[2]	49	-	-	598	8	18	**673**
Revaluation	-	-	135	-	-	-	**135**
Disposals	(6)	(2)	(6)	(115)	-	(8)	**(137)**
Transfers to intangible assets	-	-	-	-	-	(1)	**(1)**
Transfers	9	(1)	28	73	-	(109)	**-**
Change in provision recorded in PPE	10	-	-	6	(8)	-	**8**
Balance at 31 December 2023	**2,737**	**3,919**	**4,100**	**6,218**	**55**	**512**	**17,541**
Depreciation and impairment losses							
Balance at 1 January 2023	**(976)**	**(295)**	**(464)**	**(2,882)**	**(14)**	**(7)**	**(4,638)**
Effects of movements in foreign exchange	8	-	-	7	-	-	**15**
Depreciation charge for the year	(96)	(87)	(164)	(441)	(4)	-	**(792)**
Revaluation	-	-	457	-	-	-	**457**
Disposals	4	2	5	107	-	-	**118**
Transfers	-	-	-	-	2	(2)	**-**
Impairment losses recognised in profit or loss	(7)	-	(3)	8	-	(2)	**(4)**
Balance at 31 December 2023	**(1,067)**	**(380)**	**(169)**	**(3,201)**	**(16)**	**(11)**	**(4,844)**
Carrying amounts							
At 1 January 2023	**1,650**	**3,627**	**3,468**	**2,520**	**40**	**344**	**11,649**
At 31 December 2023	**1,670**	**3,539**	**3,931**	**3,017**	**39**	**501**	**12,697**

(1) Including right-of-use assets.
(2) Purchase of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V., Enecogen V.O.F. and SGL – Schienen Güter Logistik GmbH.

In millions of EUR

	Land and buildings[1]	Gas transmission pipelines – fair value model	Gas distribution pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation		*Level 3*	*Level 3*					
Balance at 1 January 2022	**2,654**	**3,803**	**3,923**	**13**	**5,228**	**57**	**298**	**15,976**
Effects of movements in foreign exchange	19	-	-	-	(41)	1	(7)	**(28)**
Additions	43	22	16	-	282	1	285	**649**
Additions through business combinations[2]	2	-	-	-	-	-	-	**2**
Disposals	(8)	(5)	(7)	-	(132)	-	(2)	**(154)**
Disposed entities[3]	(120)	-	-	-	(13)	-	(2)	**(135)**
Transfers to intangible assets	-	-	-	-	-	-	(2)	**(2)**
Transfers	46	102	-	(13)	89	(5)	(219)	**-**
Change in provision recorded in PPE	(10)	-	-	-	(11)	-	-	**(21)**
Balance at 31 December 2022	**2,626**	**3,922**	**3,932**	**-**	**5,402**	**54**	**351**	**16,287**
Depreciation and impairment losses								
Balance at 1 January 2022	**(915)**	**(215)**	**(321)**	**(1)**	**(2,571)**	**(15)**	**(7)**	**(4,045)**
Effects of movements in foreign exchange	(9)	-	-	-	11	-	-	**2**
Depreciation charge for the year	(110)	(87)	(143)	-	(430)	(3)	-	**(773)**
Disposals	6	5	2	-	132	-	1	**146**
Disposed entities[3]	48	-	-	-	12	-	-	**60**
Impairment losses recognised in profit or loss	5	-	-	-	(32)	-	(1)	**(28)**
Transfers	(1)	2	(2)	1	(4)	4	-	**-**
Balance at 31 December 2022	**(976)**	**(295)**	**(464)**	**-**	**(2,882)**	**(14)**	**(7)**	**(4,638)**
Carrying amounts								
At 1 January 2022	**1,739**	**3,588**	**3,602**	**12**	**2,657**	**42**	**291**	**11,931**
At 31 December 2022	**1,650**	**3,627**	**3,468**	**-**	**2,520**	**40**	**344**	**11,649**

(1) Including right-of-use assets.
(2) Purchase of EP Power Grit.
(3) Disposal of EP Real Estate Group.

REVALUATION OF GAS PIPELINE

The gas distribution pipeline owned and operated by SPP – distribúcia, a.s. and the gas transmission pipeline owned and operated by eustream a.s. are recognised at revalued amount, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology). For more details on revaluation, refer Note 4(a).

As of 31 December 2022, SPPD's distribution pipeline system had a carrying value of EUR 3,468 million under the revaluation model. Based on the revaluation of relevant assets performed with an effective date as of 1 January 2023, the carrying value increased to EUR 4,060 million. The difference of EUR 592 million with a corresponding deferred tax impact of EUR 151 million was recognized as a current period revaluation under IAS 16 and reported in other comprehensive income for the period.

If the pipelines were accounted for using the cost model, the net book value of the asset as at 31 December 2023 would be EUR 3,877 million (2022: EUR 3,985 million), of which net book value of eustream's assets EUR 1,966 million (2022: EUR 2,031 million) and net book value of SPPD's assets EUR 1,911 million (2022: EUR 1,954 million).

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT

The Group performed regular impairment test assessment of its property, plant and equipment. In relation to the ongoing military invasion in the territory of Ukraine and associated sanctions targeting the Russian Federation (further described in the Note 2(c) Recent developments and key events for the Group), as at the date of these financial statements, the Parent Company analysed the impacts of the situation on its business and performed an impairment testing in line with its material accounting policy described in Note 3(i) Impairment. In particular, the Parent Company assessed scenarios regarding the potential use of the transmission network and gas supply via the transmission system, the development of regulatory frameworks in countries where the Group operates, the consumption of gas and power in Slovakia, overall demand for transmission and gas storage services, as well as consumption and price development of heat and electricity, all of which might have an impact on the recoverable amount of assets. The Parent Company evaluated various scenarios, including alternatives that assumed, among other, the termination of Russian gas supplies to EU countries. The Parent Company evaluated various scenarios, including alternatives that assumed, among other, the termination of Russian gas supplies to EU countries.

For assessment of recoverable amount of PPE following assumptions were used:

- commodity prices based on available forward prices;
- discount rates applied are calculated as Weighted Average Cost of Capital (WACC) of each CGU. Cost of Equity was determined using the Capital Asset Pricing Model, while parameters were based on the reputable external sources and peer-group entities relevant to each CGU. Among other things, Cost of Equity takes into account a risk premium rate considering the recent developments.

In case of Group's transmission system the following specific underlying assumptions were considered for base scenario:

- in the short to mid-term horizon, it is anticipated that Russian gas will continue to be supplied to EU countries, at least at levels observed as of the balance sheet date. In the mid-term, EU countries are expected to develop additional LNG capacities in the region to balance the reduction in Russian gas supplies experienced since mid-2022, without significantly reducing Europe's gas consumption;
- due to the strategic position of eustream with respect to gas supply to countries neighbouring with Slovakia, the gas transmission network of eustream is deemed to be relevant even in a scenario with reduced or even stopped natural gas flows from Russia;
- the major Russian shipper is assumed to honour its long-term capacity contract with eustream;
- natural gas demand in Slovakia and the neighbouring countries is expected to remain broadly in line with historical volumes;
- significant decarbonization projects are assumed to be implemented at the generation assets in the Heat Infra segment, which are expected to be co-funded by subsidies;
- in the long term, natural gas is assumed to be replaced by low-carbon gases.

Based on the aforementioned assumptions and the impairment test performed, the Parent Company has not identified any material impairment of property, plant and equipment that would require a correction of its measurement in the financial statements in line with the applicable accounting regulations. However, given the uncertainty of the future developments it is not possible to rule out the need for future adjustments to the values of the Group's property, plant and equipment in the future.

IDLE ASSETS

As at 31 December 2023 and 31 December 2022 the Group had no significant idle assets.

SECURITY

At 31 December 2023, property, plant and equipment with a carrying value of EUR 153 million (2022: EUR 564 million) are subject to pledges from financial indebtedness and hedging transactions.

16. Intangible assets (including goodwill)

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2023	**234**	**119**	**351**	**115**	**60**	**879**
Effect of movements in foreign exchange	1	2	(4)	-	-	**(1)**
Additions	-	10	2,343	-	40	**2,393**
Additions through business combinations[(1)]	13	2	11	-	-	**26**
Disposals	-	(1)	(2,263)	-	(1)	**(2,265)**
Transfers from tangible assets	-	1	-	-	-	**1**
Transfers	-	4	1	-	(5)	**-**
Balance at 31 December 2023	**248**	**137**	**439**	**115**	**94**	**1,033**
Amortisation and impairment losses						
Balance at 1 January 2023	**(101)**	**(94)**	**-**	**(45)**	**(12)**	**(252)**
Effect of movements in foreign exchange	(1)	(1)	-	-	-	**(2)**
Amortisation for the year	-	(16)	-	(9)	(4)	**(29)**
Disposals	-	1	-	-	-	**1**
Impairment losses recognised in profit or loss	-	-	-	(1)	(1)	**(2)**
Balance at 31 December 2023	**(102)**	**(110)**	**-**	**(55)**	**(17)**	**(284)**
Carrying amount						
At 1 January 2023	**133**	**25**	**351**	**70**	**48**	**627**
At 31 December 2023	**146**	**27**	**439**	**60**	**77**	**749**

(1) Purchase of Rijnmond Power Holding B.V., PZEM and Sloe Group and Enecogen V.O.F.

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2022	**223**	**112**	**210**	**271**	**42**	**858**
Effect of movements in foreign exchange	(1)	-	2	(2)	-	**(1)**
Additions	-	7	1,473	-	19	**1,499**
Additions through business combinations[1]	12	-	-	-	6	**18**
Disposals	-	(4)	(1,334)	(154)	(5)	**(1,497)**
Transfers from tangible assets	-	2	-	-	-	**2**
Transfers	-	2	-	-	(2)	**-**
Balance at 31 December 2022	**234**	**119**	**351**	**115**	**60**	**879**
Amortisation and impairment losses						
Balance at 1 January 2022	**(52)**	**(86)**	**-**	**(191)**	**(9)**	**(338)**
Effect of movements in foreign exchange	1	-	-	1	-	**2**
Amortisation for the year	-	(11)	-	(9)	(3)	**(23)**
Disposals	-	3	-	154	-	**157**
Impairment losses recognised in profit or loss	(50)	-	-	-	-	**(50)**
Balance at 31 December 2022	**(101)**	**(94)**	**-**	**(45)**	**(12)**	**(252)**
Carrying amount						
At 1 January 2022	**171**	**26**	**210**	**80**	**33**	**520**
At 31 December 2022	**133**	**25**	**351**	**70**	**48**	**627**

(1) Purchase of PW geoenergy a.s. and EP Power Grit.

In 2023, the Group purchased emission allowances of EUR 2,270 million (2022: EUR 1,230 million). The remaining part of EUR 73 million (2022: EUR 243 million) was allocated to the Group by the respective authorities and counterparties.

Amortisation of intangible assets is included in the row Depreciation, amortization and impairment in the consolidated statement of comprehensive income.

Other intangible assets comprise valuable rights, capacity market certificates and intangible assets under construction.

All intangible assets, excluding goodwill, were recognised as assets with definite useful life.

The Group did not capitalise any development costs in 2023 and 2022.

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. No significant research costs were incurred during 2023 and 2022.

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 aggregate carrying amounts of goodwill allocated to single cash generating units are as follows (no intangible assets with indefinite useful lives were identified):

In millions of EUR

	31 December 2023	31 December 2022
EOP Distribuce	52	52
EP Power Minerals GmbH	22	22
Biomasse Italia S.p.A.	16	16
EP Power Grit GmbH	11	11
Rijnmond Power Holding B.V.	10	-
Elektrárny Opatovice, a.s.	7	7
LOCON Logistik & Consulting AG	7	7
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.	5	5
Kraftwerk Schkopau GbR	3	3
SPEDICA GROUP COMPANIES, s.r.o.	2	2
PZEM Energy Company B.V.	2	-
Dobrá energie s.r.o	1	1
SPV100, s.r.o.	1	1
EP Cargo Trucking CZ s.r.o.	1	1
Enecogen V.O.F.	1	-
Total goodwill	**146**	**133**

In 2023, the balance of goodwill increased by EUR 13 million as a result of acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group and Enecogen V.O.F.

GOODWILL AND IMPAIRMENT TESTING

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. The Group also conducts impairment testing of other intangible assets with indefinite useful lives, and of cash generating units (CGUs) where a trigger for impairment testing is identified. As at 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 a value in use that reflects estimated future discounted cash flows. Value in use is derived from management forecasts of future cash flows updated since the date of acquisition. Impairment tests were performed in a similar manner as described in Note 15.

17. Equity accounted investees

The Group has the following investments in associates and joint ventures:

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2023 %	Carrying amount 31 December 2023
SPH Group(1)	(3)	(4)	685
SŽ EP Group(2)	(3)	(4)	96
Ergosud S.p.A.	Italy	50.00	70
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	17
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
Greeninvest Energy, a.s.	Czech Republic	39.73	1
Total			**874**

(1) Refer to Appendix 2 – Group entities for detail of entities included in SPH Group.
(2) Refer to Appendix 2 – Group entities for detail of entities included in SŽ EP Group.
(3) Country of incorporation varies, for details refer to Appendix 2 – Group entities.
(4) Ownership percentage varies, for details refer to Appendix 2 – Group entities.

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2022 %	Carrying amount 31 December 2022
LEAG Group(5)	(3)	50.00	1,044
SŽ EP Group(2)	(3)	(4)	88
Ergosud S.p.A.	Italy	50.00	66
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	17
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
Greeninvest Energy, a.s.	Czech Republic	41.67	1
SPH Group(1)	(3)	(4)	-
Total			**1,221**

(1) Refer to Appendix 2 – Group entities for detail of entities included in SPH Group.
(2) Refer to Appendix 2 – Group entities for detail of entities included in SŽ EP Group.
(3) Country of incorporation varies, for details refer to Appendix 2 – Group entities.
(4) Ownership percentage varies, for details refer to Appendix 2 – Group entities.
(5) Refer to Appendix 2 – Group entities for detail of entities included in LEAG Group.

SPH GROUP

In 2016, EP Slovakia B.V., EPH's subsidiary, completed the first stage of acquisition of 50% shares in Slovak Power Holding B.V. ("SPH"), which is the owner of 66% shares in Slovenské elektrárne a.s. ("SE"). The second stage involves a put or call option for the remaining 50% shares in SPH which may be used by Enel Produzione SpA ("Enel") or EP Slovakia B.V. respectively. The total price for both of the two stages of acquisition is subject to an adjustment mechanism, which will be applied upon closing of the second stage of the transaction and will reflect certain parameters, mainly the change in the net financial position of SE and the enterprise value of the Mochovce units 3 and 4 ("EMO34"). Enel provided a loan to SPH in 2018 and subsequently the conditions for the use of the put or call option were amended to reflect the loan.

Enel and EP Slovakia B.V. signed a new agreement in December 2020 that modified a number of amendments to the contract. The agreement specifies how shareholders of SPH will participate on further financing of EMO34 project and extension of maturity of loan provided by Enel until 2032. The agreement regulates the "trigger events" for which parties can exercise the respective options. The base put or call options can be exercised when the latest of the following events occurs: (i) six months from the date of completion of the trial run of Mochovce's unit 4; (ii) the date of completion of the first outage of Mochovce's unit 4; and (iii) the maturity of the Loans set for 2032.

The new agreement provides EPH with the possibility to exercise an "early call option" after six months from the signing of the updated contract and until the first of the following events occurs: (i) four years from the completion of the trial run of Mochovce's unit 4 and (ii) December 2028. In such a case, a floor and cap of the consideration have been introduced, price cap is changing with the time and specified events related to Mochovce units development. In the event of the exercise of the early call option, EPH is expected to take over the Loans according to a plan starting from 2026, with the last tranche expected in 2032 at the latest.

EPH currently assumes that the purchase price shall be measured at the floor price which was considered in the option value as well as in the deferred consideration remeasurement.

In 2023, the Group recognized share on profit of EUR 225 million (2022: share on loss of EUR 53 million), share on other comprehensive income of positive EUR 459 million (2022: positive EUR 54 million).

Impairment test and option value of SE were based on the external expert valuation report. Based on estimated free cash flows reflecting power prices forecast and the Group's estimate of timing of EMO3 and EMO4 blocks full operations and related CAPEX to finalize those projects. Discount rate applied reflects risks connected with the company and it is estimated to be 9.54%. As a result, the Group recognized a gain in financial income from revaluation of the option (refer to Note 13). Based on the latest information, the Group also adjusted the expected contingent consideration payment to reflect anticipated timing of option' exercise in 2024 and assumed that given the contractual formula for calculation of the settlement price, the combined purchase price for 66% share in SE shall be rather close to the floor level of the consideration and as such, released the difference between already paid advance for the first 33% and the currently assessed settlement price to finance income. Valuation of the option and its presentation as a short-term financial asset is based on a management assumption that option will be called upon within following twelve months.

A change in discount rate by +1% would cause decrease of option value by negative EUR 256 million and decrease in discount rate by -1% would have effect on the option value of positive EUR 305 million.

The Group calculated simplified sensitivity of option value on power prices. Option value would drop by EUR 67 million, if power prices dropped by 1 EUR/MWh in every year used in value calculation and would increase by EUR 67 million, if price of power increased by 1 EUR/MWh in every year used in value calculation.

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

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2023 %	Share of profit (loss) 2023
LEAG Group	(2)	50.00	(1)759
SPH Group	(2)	(3)	225
SŽ EP d.o.o.	(2)	(3)	8
Ergosud S.p.A.	Italy	50.00	4
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	2
Greeninvest Energy, a.s.	Czech Republic	39.73	1
Total			**999**

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2022 %	Share of profit (loss) 2022
LEAG Group	(2)	50.00	793
SŽ EP d.o.o.	(2)	(3)	28
Ergosud S.p.A.	Italy	50.00	3
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	3
Greeninvest Energy, a.s.	Czech Republic	41.67	1
SPH Group	(2)	(3)	(53)
Total			**775**

(1) Includes share of profit of equity accounted investee LEAG from 1 January to 30 June 2023 when LEAG was reclassified to assets held for sale.
(2) Country of incorporation varies, for details refer to Appendix 2 – Group entities.
(3) Ownership percentage varies, for details refer to Appendix 2 – Group entities.

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 31 December 2023 and 2022 and for the years then ended.

In millions of EUR

	2023	2022
Statement of financial position information		
Total assets	**-**	**11,856**
Non-current assets	-	3,772
Current assets	-	8,084
of which: cash and cash equivalents	-	*2,587*
other current assets	-	*5,497*
Total liabilities	**-**	**9,767**
Non-current liabilities	-	3,169
of which: financial liabilities (excluding trade payables)	-	*128*
other non-current liabilities	-	*3,041*
Current liabilities	-	6,598
of which: financial liabilities (excluding trade payables)	-	*691*
other current liabilities	-	*5,907*
Equity	**-**	**2,089**
Statement of comprehensive income information(1)		
Revenues	5,844	7,939
of which: interest income	*58*	*19*
Depreciation and amortization	(123)	(246)
Interest expense	(68)	(254)
Income tax expense	(516)	(93)
Profit (loss) for the period/year	**1,518**	**(2)1,600**
Other comprehensive income	(33)	(903)
Total comprehensive income for the period/year	**1,485**	**697**

(1) Includes statement of comprehensive income information from 1 January to 30 June 2023 when LEAG was reclassified to assets held for sale.
(2) Includes dividends from EP New Energy Italia S.r.l. eliminated in calculation of share of profit (loss) attributable to the Group.

The Group remains committed to accomplish its energy transition strategy and to facilitate the transformation of coal regions in the most dedicated and efficient way. As part of the Group's energy transition strategy, 50% shareholding of LEAG was transferred to EP Energy Transition, the holding company of the Group dedicated to drive the transition, in 2023 (for more details, refer to Note 6(d) Disposal of investments). The Group's intention is to transfer also other participations in the future, particularly MIBRAG Energy Group. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 8 GW by 2030, replacement of existing network-critical power generation capacities by hydrogen-ready power plants and active cooperation with unions, regions, and governments to carry out the energy transition with minimum or no socially adverse impact.

The table below provides summary financial information for joint venture SŽ EP d.o.o., presented at 100% as at 31 December 2023 and 2022 and for the years then ended.

In millions of EUR

	2023	2022
Statement of financial position information		
Total assets	**323**	**316**
Non-current assets	212	222
Current assets	111	94
of which: cash and cash equivalents	*53*	*42*
other current assets	*58*	*52*
Total liabilities	**125**	**137**
Non-current liabilities	81	92
of which: financial liabilities (excluding trade payables)	*78*	*87*
other non-current liabilities	*3*	*5*
Current liabilities	44	45
of which: financial liabilities (excluding trade payables)	*14*	*17*
other current liabilities	*30*	*28*
Equity	**198**	**179**
Statement of comprehensive income information		
Revenues	212	185
of which: interest income	*2*	*1*
Depreciation and amortization	(27)	(23)
Interest expense	(2)	(1)
Income tax expense	(1)	(1)
Profit (loss) for the year	**15**	**16**
Other comprehensive income	2	-
Total comprehensive income for the year	**17**	**16**

Summary financial information for standalone associates, presented at 100% as at 31 December 2023 and for the year then ended.

In millions of EUR

Associates and joint ventures	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
SPH Group	5,195	670	1,848	2,518	10,624	8,552	2,072
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	50	7	-	7	50	26	24
Fernwärme GmbH Hohenmölsen – Webau(1)	9	-	-	-	13	2	11
Energotel, a.s.	15	(1)	-	(1)	10	6	4
Greeninvest Energy, a.s.	4	3	-	3	19	-	19
Ergosud S.p.A.	82	8	-	8	245	106	139
Total	**5,355**	**687**	**1,848**	**2,535**	**10,961**	**8,692**	**2,269**

(1) Data from standalone financial statements according to German GAAP.

In millions of EUR

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
SPH Group	9,247	1,377	7,155	1,397
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	21	29	24	2
Fernwärme GmbH Hohenmölsen – Webau(1)	12	1	1	1
Energotel, a.s.	3	7	-	6
Greeninvest Energy, a.s.	16	3	-	-
Ergosud S.p.A.	157	88	33	73
Total	**9,456**	**1,505**	**7,213**	**1,479**

(1) Data from standalone financial statements according to German GAAP.

Summary financial information for standalone associates, presented at 100% as at 31 December 2022 and for the year then ended.

In millions of EUR

Associates and joint ventures	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
SPH Group	7,230	(162)	551	389	10,060	10,517	(457)
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	55	7	-	7	52	31	21
Fernwärme GmbH Hohenmölsen – Webau[1]	7	-	-	-	13	2	11
Energotel, a.s.	12	-	-	-	9	5	4
Greeninvest Energy, a.s.	4	2	-	2	19	-	19
Ergosud S.p.A.	87	6	-	6	266	134	132
Total	**7,395**	**(147)**	**551**	**404**	**10,419**	**10,689**	**(270)**

(1) Data from standalone financial statements according to German GAAP.

In millions of EUR

Associates and joint ventures	Non-current assets	Current assets	Non-current liabilities	Current liabilities
SPH Group	8,725	1,335	3,866	6,651
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	21	31	28	3
Fernwärme GmbH Hohenmölsen – Webau[1]	12	1	1	1
Energotel, a.s.	3	6	-	5
Greeninvest Energy, a.s.	16	3	-	-
Ergosud S.p.A.	179	87	45	89
Total	**8,956**	**1,463**	**3,940**	**6,749**

(1) Data from standalone financial statements according to German GAAP.

18. Deferred tax assets and liabilities

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

In millions of EUR

	31 December 2023			31 December 2022		
Temporary difference related to:	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	171	(2,166)	(1,995)	73	(1,922)	(1,849)
Intangible assets	1	(31)	(30)	-	(34)	(34)
Inventories	17	-	17	13	-	13
Trade receivables and other assets	8	(1)	7	6	(1)	5
Provisions	133	(5)	128	107	-	107
Employees benefits (IAS 19)	42	(52)	(10)	1	(11)	(10)
Loans and borrowings	-	(11)	(11)	1	(12)	(11)
Tax losses	33	-	33	62	-	62
Derivatives	407	(359)	48	1,212	(1,180)	32
Right-of-use assets	18	(16)	2	13	(12)	1
Other items	43	(6)	37	56	(6)	50
Subtotal	**873**	**(2,647)**	**(1,774)**	**1,544**	**(3,178)**	**(1,634)**
Set-off tax	(603)	603	-	(1,249)	1,249	-
Total	**270**	**(2,044)**	**(1,774)**	**295**	**(1,929)**	**(1,634)**

MOVEMENTS IN DEFERRED TAX DURING THE YEAR

In millions of EUR

Balances related to:	Balance at 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations[1]	Transfer	Disposed entities	Effect of movements in foreign exchange rate	Balance at 31 December 2023
Property, plant and equipment	(1,849)	10	(108)	(15)	(32)	-	(1)	(1,995)
Intangible assets	(34)	2	-	-	-	-	2	(30)
Inventories	13	4	-	-	-	-	-	17
Trade receivables and other assets	5	3	-	-	(1)	-	-	7
Provisions	107	-	2	8	11	-	-	128
Employee benefits (IAS 19)	(10)	(1)	3	-	(2)	-	-	(10)
Loans and borrowings	(11)	-	-	-	-	-	-	(11)
Tax losses	62	(74)	-	-	45	-	-	33
Derivatives	32	56	(101)	60	1	-	-	48
Right-of-use assets	1	-	-	(1)	1	-	1	2
Other	50	17	(6)	-	(23)	-	(1)	37
Total	**(1,634)**	**17**	**(210)**	**52**	**-**	**-**	**1**	**(1,774)**

(1) Acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V. and Enecogen V.O.F.

In millions of EUR

Balances related to:	Balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Transfer[1]	Disposed entities	Effect of movements in foreign exchange rate	Balance at 31 December 2022
Property, plant and equipment	(1,847)	(9)	-	-	-	5	2	(1,849)
Intangible assets	(37)	3	-	-	-	-	-	(34)
Inventories	14	(1)	-	-	-	-	-	13
Trade receivables and other assets	4	1	-	-	-	-	-	5
Provisions	116	(4)	(6)	-	1	-	-	107
Employee benefits (IAS 19)	-	4	(14)	-	-	-	-	(10)
Loans and borrowings	(10)	(1)	-	-	-	-	-	(11)
Unpaid interest	(2)	2	-	-	-	-	-	-
Tax losses	7	55	-	-	-	-	-	62
Derivatives	125	(24)	(73)	-	5	-	(1)	32
Right-of-use assets	(1)	2	-	-	-	-	-	1
Other	38	17	1	-	(6)	-	-	50
Total	**(1,593)**	**45**	**(92)**	**-**	**-**	**5**	**1**	**(1,634)**

(1) Disposal of EP Real Estate Group.

UNRECOGNISED DEFERRED TAX ASSETS

A deferred tax asset has not been recognised in respect of the tax losses that are available for carry forward by certain EPH Group entities and certain items of property, plant and equipment:

In millions of EUR

	31 December 2023	31 December 2022
Tax losses carried forward	1,400	1,409
Property, plant and equipment	64	60
Total	**1,464**	**1,469**

A deferred tax asset that has not been recognised in respect of the tax losses is attributable to the following entities:

In millions of EUR

	31 December 2023	31 December 2022
EP France S.A.S. and its subsidiaries	1,001	1,050
Seattle Holding B.V.	96	96
Humbly Grove Energy Limited	93	96
EP Resources AG	89	47
EPH Gas Holding B.V.	66	65
Slovak Gas Holding B.V.	24	12
Czech Gas Holding Investment B.V.	13	13
SPP Infrastructure, a.s.	11	2
EP Energy, a.s.	7	28
Total	**1,400**	**1,409**

A deferred tax asset that has not been recognised in respect of property, plant and equipment is fully attributable to EP NI Energy Limited.

Majority of the entities in the table represent holding companies with insignificant operating activities. The Group does not expect significant taxable profit growth on these entities, so no deferred tax was recognized. If sufficient taxable profit were to be achieved in 2023, then the associated tax income (savings) would be up to EUR 335 million (2022: 332 million).

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:

In millions of EUR

	2024	2025	2026	2027	After 2028	Total
Tax losses	10	3	3	2	1,382	**1,400**

Tax losses expire over a period of 5 years in the Czech Republic and Slovakia, 6 years (9 years for losses up to 2018) in the Netherlands for standard tax losses and indefinitely in France, Germany and the UK. Under current tax legislation, some deductible temporary differences do not expire. 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.

Temporary differences related to items of property, plant and equipment for which no deferred tax asset has been recognized expire indefinitely.

19. Inventories

In millions of EUR

	31 December 2023	31 December 2022
Fossil fuel	288	422
Extracted minerals and mineral products	236	276
Inventories for trading held at fair value	229	268
Spare parts	89	80
Raw materials and supplies	89	70
Finished goods and merchandise	40	166
Overburden	32	30
Work in progress	4	6
Total	**1,007**	**1,318**

In 2023, inventories of EUR 2,893 million (2022: EUR 4,317 million) were recognized as an expense during the year and included in Purchases and consumables. These values exclude expenses reported by EP Commodities, a.s. which are related to trading activities without physical delivery.

Inventories for trading held at fair value are categorized within Level 1 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

As at 31 December 2023, inventories in the amount of EUR 20 million (2022: EUR 35 million) were subject to pledges.

20. Trade receivables and other assets

In millions of EUR

	31 December 2023	31 December 2022
Trade receivables	1,813	2,386
Margin of stock exchange derivatives	656	1,606
Advance payments for long-term tangible and intangible assets	627	303
Other advance payments	238	315
Value added tax receivables	236	252
Accrued income[(1)]	183	54
Uninvoiced revenues	119	243
Estimated receivables	53	273
Defined benefit assets in excess of obligations	50	43
Deposits for capacity market auctions	40	29
Subsidies related to renewable energy	22	47
Other taxes receivables, net	21	10
Receivables from emission rights granted free-of-charge	4	61
Other receivables and assets	107	139
Allowance for bad debts	(61)	(57)
Total	**4,108**	**5,704**
Non-current	419	391
Current	3,689	5,313
Total	**4,108**	**5,704**

(1) For more detail on accrued income refer to Note 29 – Commitments and contingencies.

In 2023, EUR 8 million receivables were written-off through profit or loss (2022: EUR 1 million).

As at 31 December 2023, trade receivables with a carrying value of EUR 419 million are subject to pledges (2022: EUR 638 million).

As at 31 December 2023, trade receivables and other assets amounting EUR 4,048 million are not past due (2022: EUR 5,661 million) remaining net balance of EUR 60 million is overdue (2022: EUR 43 million). For more detailed aging analysis refer to Note 31(a)(ii) – Risk management – credit risk (impairment losses).

As at 31 December 2023 and 2022, the fair value of trade receivables and other assets equal to its carrying amount.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 31 – Risk management policies and disclosures.

21. Cash and cash equivalents

In millions of EUR

	31 December 2023	31 December 2022
Current accounts with banks	2,221	2,869
Term deposits	1,125	141
Bills of exchange	155	-
Debentures	1	-
Total	**3,502**	**3,010**

Term deposits, bills of exchange issued by banks and debentures with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2023 cash equivalents of EUR 45 million are subject to pledges (2022: EUR 124 million) in case the Group defaults on some of its indebtedness. As such, pledged cash is readily available and is not classified as restricted.

22. Equity

SHARE CAPITAL, SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2023 consisted of 4,000,000 ordinary shares with a par value of CZK 1,000 each (2022: 4,000,000 ordinary shares with a par value of CZK 1,000 each).

As of 1 January 2022, the functional currency of the Parent Company changed from Czech crown to Euro. As of the date of change, all items including equity were translated from Czech crown to Euro using foreign exchange rate as of the date of change. The balance of share capital of EUR 161 million is a result of such recalculation.

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 1000 at meetings of the Company's shareholders.

In 2023, the Company declared dividends in amount of EUR 3,384 million (2022: EUR 1,533 million) to its shareholders. Dividend declared per share in 2023 was EUR 846 (2022: EUR 383).

31 DECEMBER 2023

	Number of shares 1,000 CZK	Ownership %	Voting rights %
EP Corporate Group, a.s.	2,240,001	56% + 1 share	56% + 1 share
J&T ENERGY HOLDING, a.s.	1,759,999	44% - 1 share	44% - 1 share
Total	**4,000,000**	**100.00%**	**100.00%**

31 DECEMBER 2022

	Number of shares 1,000 CZK	Ownership %	Voting rights %
EP Corporate Group, a.s.	2,240,001	56% + 1 share	56% + 1 share
J&T ENERGY HOLDING, a.s.	1,759,999	44% - 1 share	44% - 1 share
Total	**4,000,000**	**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 2023
	1,000 CZK
Shares outstanding at the beginning of the year	4,000,000
Shares outstanding at the end of the year	**4,000,000**

	Number of shares 2022
	1,000 CZK
Shares outstanding at the beginning of the year	4,000,000
Shares outstanding at the end of the year	**4,000,000**

RESERVES

Reserves recognised in equity comprise the following items:

In millions of EUR

	31 December 2023	31 December 2022
Revaluation reserve	1,024	895
Hedging reserve	356	(136)
Fair value reserve	59	111
Other capital funds from capital contributions	23	23
Non-distributable reserves	17	18
Other capital reserves	(56)	(56)
Translation reserve	(174)	(132)
Total	**1,249**	**723**

NON-DISTRIBUTABLE RESERVES

The legal reserve of EUR 17 million was reported as at 31 December 2023 (2022: EUR 18 million).

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group. As at 1 January 2022, EUR has become the Group's functional as well as presentation currency. Translation reserve arising from entities with EUR functional currency and translation reserve arising from entities with CZK functional currency from historical translation of EUR dividends was transferred to retained earnings as at 1 January 2022.

Translation reserve includes also translation reserve arising from translation of the consolidated financial statements to presentation currency until 31 December 2021. Translation reserve arising historically on translation into presentation currency from entities with CZK functional currency remains to be presented within translation reserve and will not be reclassified subsequently to profit or loss. Translation reserve arising historically on translation into presentation currency from entities with GBP, USD or PLN functional currencies remains to be presented within translation reserve and will be reclassified to profit or loss on disposal of such foreign operations.

OTHER CAPITAL RESERVES

In 2009, the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 9 October 2009. Such subsidiaries were acquired under common control of J&T Finance Group, a.s. (which held controlling interest in the Group at the time of acquisition

of the subsidiaries), 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. Acquirees under common control are recorded at the book value, which was presented in the financial statements of J&T Finance Group, 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 as at the acquisition date was recorded in consolidated equity as pricing differences.

In 2010, in relation to the disposal of certain subsidiaries the revaluation reserve increased by EUR 74 million. The amount corresponds not only to pricing differences assigned directly to disposed subsidiaries but also to their direct parent companies (SPEs), which, although they remained in scope, are not cash generating units as standalones and thereby do not carry any goodwill potential.

In 2011, other capital reserves increased further by EUR 56 million in relation to the several subsidiaries that were spun off to EP Industries, a.s. as a part of non-cash dividend distribution.

In 2013, other capital reserves increased by EUR 1 million due to the process of restructuring of SPP Group.

In 2022, other capital reserves decreased by EUR 2 million as a result of the change in the functional currency of the Parent Company as at 1 January 2022.

HEDGING RESERVES

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 27 – Financial instruments and Note 31 – Risk management policies and disclosure).

FAIR VALUE RESERVE

Fair value reserve comprises mainly actuarial gains and losses related to IAS 19 pension plan provisions.

REVALUATION RESERVE

Revaluation reserve represents an effect from revaluation of the gas transmission and the gas distribution pipelines as per IAS 16 to fair value. For detail refer to Note 4(a).

Equity

23. Non-controlling interest

31 DECEMBER 2023

In millions of EUR

	Stredoslo-venská energetika, a.s. and its subsidiaries (including SSD)	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries[4]	SPP distribúcia, a.s. and its subsidiaries	eustream a.s.	Plzeňská teplárenská, a.s.	EP Produzione Centrale Livorno Ferraris S.p.A.	Other subsidiaries[5]	Total
Non-controlling percentage	**(6) 66.19%**	**(6) 52.41%**	**(6) 66.19%**	**(6) 66.19%**	**(6) 66.19%**	**(6) 75.85%**	**25.00%**		
Business activity	Distribution of electricity	Gas storage	Holding entity	Distribution of gas	Transmission of gas	Production and distribution of heat	Production of electricity and heat		
Country[1]	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Czech Republic	Italy		
Carrying amount of NCI at 31 December 2023	**473**	**275**	**(345)**	**2,154**	**1,516**	**193**	**44**	**(139)**	**4,171**
Profit (loss) attributable to non-controlling interest for the year	**85**	**103**	**(7)**	**91**	**(4)**	**22**	**4**	**32**	**326**
Dividends declared[2]	**(39)**	**(4)**	**(7) (291)**	**-**	**-**	**(7)**	**-**	**-**	**(341)**
Statement of financial position[3]									
Total assets	1,145	829	5,526	4,810	4,335	355	239		
of which: non-current	*830*	*555*	*(8) 5,420*	*4,123*	*3,906*	*253*	*113*		
current	*315*	*274*	*106*	*687*	*429*	*102*	*126*		
Total liabilities	431	304	966	1,555	2,045	100	63		
of which: non-current	*182*	*226*	*499*	*1,458*	*1,894*	*29*	*6*		
current	*249*	*78*	*467*	*97*	*151*	*71*	*57*		
Net assets	**714**	**525**	**4,560**	**3,255**	**2,290**	**255**	**176**		
Statement of comprehensive income[3]									
Total revenues	1,587	414	295	531	274	216	434		
of which: dividends received	-	*(9) 23*	*(10) 279*	-	-	*1*	-		
Profit after tax	129	219	269	137	(6)	29	16		
Total other comprehensive income for the year, net of tax	-	(1)	-	460	272	-	-		
Total comprehensive income for the year[3]	**129**	**218**	**269**	**597**	**266**	**29**	**16**		
Net cash inflows (outflows)[3]	**100**	**(133)**	**(22)**	**194**	**125**	**60**	**18**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Appendix 2 – Group entities).
(2) Dividends declared represent dividends declared to direct non-controlling interest.
(3) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.
(4) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.
(5) Column "Other subsidiaries" represents primarily 31% indirect non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.
(6) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.
(7) SPP Infrastructure, a.s. declared dividends of EUR 300 million in March 2023 and EUR 271 million in December 2023, of which the unpaid portion of EUR 139 million is recognised as a dividend payable in trade payable as of 31 December 2023.
(8) Includes financial investments in eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.
(9) Includes dividends from POZAGAS a.s. eliminated in calculation of NCI.
(10) Includes dividends from SPP - distribúcia, a.s., SPP Storage, s.r.o., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

Equity

31 DECEMBER 2022

In millions of EUR

	Stredoslo-venská energetika, a.s. and its subsidiaries (including SSD)	NAFTA a.s. and its subsidiaries	SPP Infrastructure, a.s. and its subsidiaries[4]	SPP distribúcia, a.s. and its subsidiaries	eustream a.s.	Plzeňská teplárenská, a.s.	EP Produzione Centrale Livorno Ferraris S.p.A.	Other subsidiaries[5]	Total
Non-controlling percentage	**[6]66.19%**	**[6]52.41%**	**[6]66.19%**	**[6]66.19%**	**[6]66.19%**	**[6]75.85%**	**25.00%**		
Business activity	Distribution of electricity	Gas storage	Holding entity	Distribution of gas	Transmission of gas	Production and distribution of heat	Production of electricity and heat		
Country[1]	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Czech Republic	Italy		
Carrying amount of NCI at 31 December 2022	**440**	**265**	**(136)**	**1,847**	**1,340**	**186**	**40**	**(331)**	**3,651**
Profit (loss) attributable to non-controlling interest for the year	**32**	**107**	**(2)**	**86**	**111**	**26**	**-**	**81**	**441**
Dividends declared[2]	**(75)**	**(2)**	**-**	**-**	**-**	**(5)**	**-**	**(8)**	**(90)**
Statement of financial position[3]									
Total assets	1,137	855	5,544	4,253	4,431	344	246		
of which: non-current	*811*	*553*	*[7]5,420*	*3,780*	*4,025*	*238*	*114*		
current	*326*	*302*	*124*	*473*	*406*	*106*	*132*		
Total liabilities	472	349	683	1,462	2,407	99	87		
of which: non-current	*265*	*262*	*623*	*1,346*	*1,920*	*29*	*8*		
current	*207*	*87*	*60*	*116*	*487*	*70*	*79*		
Net assets	**665**	**506**	**4,861**	**2,791**	**2,024**	**245**	**159**		
Statement of comprehensive income[3]									
Total revenues	1,610	393	480	498	345	223	799		
of which: dividends received	-	*[8]11*	*[9]464*	-	-	-	-		
Profit after tax	48	214	461	130	168	34	(2)		
Total other comprehensive income for the year, net of tax	1	4	-	6	142	-	-		
Total comprehensive income for the year[3]	**49**	**218**	**461**	**136**	**310**	**34**	**(2)**		
Net cash inflows (outflows)[3]	**2**	**219**	**36**	**164**	**97**	**(38)**	**39**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Appendix 2 – Group entities).
(2) Dividends declared represent dividends declared to direct non-controlling interest.
(3) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.
(4) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.
(5) Column "Other subsidiaries" represents primarily 31% indirect non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.
(6) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.
(7) Includes financial investments in eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.
(8) Includes dividends from POZAGAS a.s. eliminated in calculation of NCI.
(9) Includes dividends from SPP - distribúcia, a.s., SPP Storage, s.r.o., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

24. Loans and borrowings

In millions of EUR

	31 December 2023	31 December 2022
Issued notes at amortised costs	4,680	4,350
Loans payable to credit institutions	2,226	1,512
Revolving credit facility	1,052	1,507
Lease liabilities	213	179
Factoring loans	103	100
Loans payable to other than credit institutions	56	59
Total	**8,330**	**7,707**
Non-current	7,460	7,039
Current	870	668
Total	**8,330**	**7,707**

The weighted average interest rate on loans and borrowings (excluding notes) for 2023 was 5.27% (2022: 2.17%).

ISSUED NOTES AT AMORTISED COSTS

Details about notes issued as at 31 December 2023 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transaction cost	Issue date	Maturity	Interest rate (%)	Effective interest rate (%)
EP Infrastructure 2024 Notes	547	5	-	26/04/2018	26/04/2024	1.659	1.786
EP Infrastructure 2026 Notes	600	4	(1)	30/07/2019	30/07/2026	1.698	1.795
EP Infrastructure 2028 Notes	500	2	(2)	09/10/2019	09/10/2028	2.045	2.117
EP Infrastructure 2031 Notes	500	8	(2)	02/03/2021	02/03/2031	1.816	1.888
eustream Notes	500	4	(2)	25/06/2020	25/06/2027	1.625	1.759
SPP Infrastructure Financing Notes	500	12	-	12/02/2015	12/02/2025	2.625	2.685
SPP – distribúcia Notes	500	3	(3)	09/06/2021	09/06/2031	1.000	1.079
EPH Financing CZ 2025 Notes	303	4	(1)	17/03/2020	17/03/2025	4.500	4.870
EPH Financing CZ 2027 Notes	97	3	(1)	19/08/2022	19/08/2027	8.000	8.200
EPH Financing International 2028 Notes	500	4	(3)	13/11/2023	13/11/2028	6.651	6.773
EPH Private placements	98	1	-	14/08/2020–19/07/2023	22/01/2025–14/06/2026	[1]-	[1]-
Total	**4,645**	**50**	**(15)**	-	-	-	-

(1) Interest rates vary per issue and are fixed or a combination of reference interest rate (6M PRIBOR) and margin set for relevant interest period.

Details about notes issued as at 31 December 2022 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transaction cost	Issue date	Maturity	Interest rate (%)	Effective interest rate (%)
EP Infrastructure 2024 Notes	750	9	(1)	26/04/2018	26/04/2024	1.659	1.786
EP Infrastructure 2026 Notes	600	4	(2)	30/07/2019	30/07/2026	1.698	1.795
EP Infrastructure 2028 Notes	500	2	(2)	09/10/2019	09/10/2028	2.045	2.117
EP Infrastructure 2031 Notes	500	8	(3)	02/03/2021	02/03/2031	1.816	1.888
eustream Notes	500	4	(3)	25/06/2020	25/06/2027	1.625	1.759
SPP Infrastructure Financing Notes	500	12	(2)	12/02/2015	12/02/2025	2.625	2.685
SPP – Distribúcia Notes	500	3	(4)	09/06/2021	09/06/2031	1.000	1.079
EPH Financing CZ 2025 Notes	311	4	(3)	17/03/2020	17/03/2025	4.500	4.870
EPH Financing CZ 2027 Notes	100	3	(1)	19/08/2022	19/08/2027	8.000	8.200
EPH Private placements	60	1	-	14/08/2020–22/01/2021	22/01/2024–14/08/2025	3.200–3.600	3.200–3.600
Total	**4,321**	**50**	**(21)**	-	-	-	-

All EP Infrastructure Notes, EPH Financing CZ Notes and EPH Financing International Notes described above contain a covenant limiting certain types of distributions to the shareholders under certain circumstances. The Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out.

EP INFRASTRUCTURE NOTES (2024 NOTES)

On 11 September 2023, EP Infrastructure, a.s. early redeemed EUR 152 million of its 2024 Notes through a tender offer. Subsequently, an open market repurchases of the 2024 Notes occurred between October and December 2023 amounting to a total of EUR 51 million. All 2024 Notes acquired in 2023 were subsequently cancelled.

EPH FINANCING INTERNATIONAL (2028 NOTES)

On 13 November 2023, EPH Financing International, a.s., a 100% subsidiary of EPH, issued bonds in the amount of EUR 500 million in the denomination of EUR 100,000 each, under the EUR 3,000,000,000 EMTN Programme, guaranteed by EPH (the "EPH Financing International 2028 Notes"). The EPH Financing International 2028 Notes are listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. Unless previously redeemed or cancelled, the EPH Financing International 2028 Notes will be redeemed at their principal amount on 13 November 2028.

The EPH Financing International 2028 Notes bear a fixed interest rate of 6.651% p.a. and are stated net of debt issue costs. These costs are allocated to the profit and loss account through effective interest rate of 6.773%.

OTHER LOANS AND BORROWINGS

TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans as at 31 December 2023 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/23	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2029	1,993	101	1,832	60
Secured bank loan	EUR	variable*	2028	192	37	155	-
Secured bank loan	EUR	fixed	2030	24	3	16	5
Unsecured bank loan	EUR	fixed	2028	17	4	13	-
Unsecured loan	EUR	variable*	2028	47	2	45	-
Secured loan	EUR	fixed	2039	5	1	2	2
Unsecured loan	EUR	fixed	2025	4	2	2	-
Revolving credit facility	EUR	variable	2026	1,052	11	1,041	-
Factoring loan	EUR	variable*	2025	103	50	53	-
Lease liabilities	n/a	n/a	n/a	213	61	98	54
Total interest-bearing liabilities				**3,650**	**272**	**3,257**	**121**

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

Terms and conditions of outstanding loans as at 31 December 2022 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/22	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2028	1,299	85	1,154	60
Unsecured bank loan	GBP	variable*	2024	134	1	133	-
Secured bank loan	EUR	variable*	2025	50	17	33	-
Unsecured bank loan	EUR	fixed	2028	22	5	12	5
Secured bank loan	EUR	fixed	2033	7	1	5	1
Unsecured loan	EUR	variable*	2025	39	-	39	-
Unsecured loan	CZK	fixed	2024	14	12	2	-
Unsecured loan	EUR	fixed	2027	6	-	6	-
Revolving credit facility	EUR	variable*	2027	1,301	266	1,035	-
Revolving credit facility	GBP	variable*	2024	122	1	121	-
Revolving credit facility	USD	variable*	2023	84	84	-	-
Factoring loan	EUR	variable*	2023	97	97	-	-
Factoring loan	EUR	fixed	2023	3	3	-	-
Lease liabilities	n/a	n/a	n/a	179	49	82	48
Total interest-bearing liabilities				**3,357**	**621**	**2,622**	**114**

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

EPIF FACILITIES AGREEMENT

EP Infrastructure, a.s. is a party to a term and revolving facilities agreement dated 14 January 2020 with a group of financing banks (the “EPIF’s Facilities Agreement”), pursuant to which EPIF has been provided with term facility A in the amount of EUR 400 million due 14 January 2025 (which was fully repaid on 5 March 2021) and revolving facility B with a committed limit of EUR 400 million (which was fully repaid during 2023) due 14 January 2025 with no amount outstanding as of 31 December 2023.

The debts of EPIF under the EPIF’s Facilities Agreement are general, senior unsecured debts of the EPIF and rank equally in right of payment with the EPIF’s existing and future indebtedness that is not subordinated in right of payment.

EPH TERM AND REVOLVING FACILITIES AGREEMENT

EPH is a party to a term and revolving facilities agreement dated 21 June 2023 with a syndicate of banks (the "EPH Facilities Agreement"), pursuant to which EPH has available loan facilities as of 31 December 2023 in the total amount of EUR 3,445 million, consisting of a term facility A1 in the amount of EUR 348.5 million due 21 June 2026, a term facility A2 in the amount of EUR 1,146.5 million due 21 June 2028, a revolving facility B1 in the amount of EUR 585 million due 21 June 2026 (the due date may under certain conditions be postponed up to 21 June 2028), a revolving facility B2 in the amount of EUR 585 million due 21 June 2028 and a revolving facility C in the amount of EUR 780 million due 21 June 2025 (the due day may under certain conditions be postponed up to 21 June 2028).

The EPH's obligations under the EPH Facilities Agreement are general, senior unsecured obligations and rank equally in right of payment with the EPH's existing and future indebtedness that is not subordinated in right of payment. The EPH Facilities Agreement contains restrictive provisions which, among other things, prohibit the use of the funds from the facilities for coal or lignite related activity, limit the Group's ability to incur additional financial indebtedness, make distributions and certain other payments, dispose of certain assets or create security over certain Group's assets, and EPH's ability to merge with other companies. The agreement obliges EPH to dispose of or close certain coal and lignite assets. The restrictions are subject to a number of exceptions and qualifications. For example, EPH may make distributions and certain other payments if (among other things), the Group net leverage does not exceed a certain limit, EPH and certain other Group members may incur additional financial indebtedness if (among other things) certain net leverage limits set for various Group levels are met. The EPH Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment. Under certain conditions EPH is obliged to maintain its consolidated leverage below a certain level.

Loans and borrowings

FAIR VALUE INFORMATION

The fair value of interest-bearing instruments held at amortised costs is shown in the table below:

In millions of EUR

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Issued debentures at amortised costs	4,680	4,167	4,350	3,561
Loans payable to credit institutions	2,226	2,195	1,512	1,492
Revolving credit facility	1,052	1,060	1,507	1,489
Lease liabilities	213	209	179	170
Factoring loans	103	103	100	100
Loans payable to other than credit institutions	56	57	59	59
Total	**8,330**	**7,791**	**7,707**	**6,871**

Issued notes are categorised within Level 1 or 2 of the fair value hierarchy. Bank loans are categorised within Level 2 or 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

SIGNIFICANT INVESTING AND FINANCING ACTIVITIES NOT REQUIRING CASH

In millions of EUR

	31 December 2023	31 December 2022
Investing activities	-	-
Financing activities	1,932	501
Total	**1,932**	**501**

For the year 2023, non-cash financing activities include partial set-off of liabilities from dividends declared by EPH to its shareholders in amount of EUR 1,932 million.

For the year 2022, non-cash financing activities include partial set-off of liabilities from dividends declared by EPH to its shareholders in amount of EUR 501 million.

Loans and borrowings

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

In millions of EUR

	Liabilities				Liabilities		Equity				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Issued notes	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2023	**1,512**	**59**	**1,507**	**100**	**4,350**	**179**	**161**	**723**	**2,595**	**3,651**	**14,837**
Changes from financing cash flows											
Proceeds from loans and borrowings	3,565	9	1,260	5	538	-	-	-	-	-	5,377
Repayment of borrowings	(3,431)	(14)	(1,704)	(3)	(203)	-	-	-	-	-	**(5,355)**
Transaction cost related to loans and borrowings	(17)	-	(11)	-	(3)	-	-	-	-	-	**(31)**
Payment of lease liabilities	-	-	-	-	-	(71)	-	-	-	-	**(71)**
Set-off of dividends with receivable	-	-	-	-	-	-	-	-	(1,932)	-	**(1,932)**
Dividend paid	-	-	-	-	-	-	-	-	(1,216)	(202)	**(1,418)**
Total change from financing cash flows	**117**	**(5)**	**(455)**	**2**	**332**	**(71)**	**-**	**-**	**(3,148)**	**(202)**	**(3,430)**
Changes arising from obtaining or losing of control of subsidiaries	598	-	-	-	-	28	-	42	(4)	19	**683**
Total effect of changes in foreign exchange rates	(31)	2	3	-	(10)	-	-	(42)	-	(21)	**(99)**
Other changes											
Liability related											
Interest expense	186	-	25	6	111	6	-	-	-	-	**334**
Interest paid	(156)	-	(28)	(5)	(103)	(6)	-	-	-	-	**(298)**
Increase of lease liability	-	-	-	-	-	77	-	-	-	-	**77**
Liability from dividends not paid	-	-	-	-	-	-	-	-	(236)	(139)	**(375)**
Total liability-related other changes	**30**	**-**	**(3)**	**1**	**8**	**77**	**-**	**-**	**(236)**	**(139)**	**(262)**
Equity related											
Other equity related changes	-	-	-	-	-	-	-	526	4,422	863	**5,811**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**526**	**4,422**	**863**	**5,811**
Balance at 31 December 2023	**2,226**	**56**	**1,052**	**103**	**4,680**	**213**	**161**	**1,249**	**3,629**	**4,171**	**17,540**

Loans and borrowings

In millions of EUR

	Liabilities					Liabilities		Equity				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft	Issued notes	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 31 December 2021	**1,254**	**32**	**1,185**	**43**	**7**	**4,380**	**165**	**234**	**600**	**874**	**3,195**	**11,969**
Effect of change in functional currency	-	-	-	-	-	-	-	(73)	26	47	-	**-**
Adjustment on initial application of IAS 37 amendment to onerous contract	-	-	-	-	-	-	-	-	-	(173)	-	**(173)**
Balance at 1 January 2022	**1,254**	**32**	**1,185**	**43**	**7**	**4,380**	**165**	**161**	**626**	**748**	**3,195**	**11,796**
Changes from financing cash flows												
Proceeds from loans and borrowings	1,283	53	994	128	-	98	-	-	-	-	-	2,556
Repayment of borrowings	(1,011)	(25)	(681)	(71)	(7)	(146)	-	-	-	-	-	**(1,941)**
Transaction cost related to loans and borrowings	(5)	-	-	-	-	(1)	-	-	-	-	-	**(6)**
Payment of lease liabilities	-	-	-	-	-	-	(70)	-	-	-	-	**(70)**
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	-	(184)	-	**(184)**
Dividend paid	-	-	-	-	-	-	-	-	-	(1,032)	(81)	**(1,113)**
Total change from financing cash flows	**267**	**28**	**313**	**57**	**(7)**	**(49)**	**(70)**	**-**	**-**	**(1,216)**	**(81)**	**(758)**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-		-	(2)	(316)	(4)	**(322)**
Total effect of changes in foreign exchange rates	(15)	(4)	2	-	-	4	(1)	-	(38)	-	20	**(32)**
Other changes												
Liability related												
Interest expense	48	4	26	3	-	103	4	-	-	-	-	**188**
Interest paid	(42)	(1)	(19)	(3)	-	(88)	(3)	-	-	-	-	**(156)**
Increase of lease liability	-	-	-	-	-	-	84	-	-	-	-	**84**
Total liability-related other changes	**6**	**3**	**7**	**-**	**-**	**15**	**85**	**-**	**-**	**-**	**-**	**116**
Equity related												
Other equity related changes	-	-	-	-	-	-	-	-	137	3,379	521	**4,037**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**137**	**3,379**	**521**	**4,037**
Balance at 31 December 2022	**1,512**	**59**	**1,507**	**100**	**-**	**4,350**	**179**	**161**	**723**	**2,595**	**3,651**	**14,837**

25. Provisions

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decom-missioning[3]	Other	Total
Balance at 1 January 2023	**167**	**1,614**	**34**	**24**	**1,179**	**95**	**3,113**
Provisions made during the period	8	1,335	-	12	90	27	**1,472**
Provisions used during the period	(17)	(1,536)	(10)	(2)	(31)	(2)	**(1,598)**
Provisions released during the period	(4)	(79)	(28)	(15)	(41)	(19)	**(186)**
Actuarial gains/losses	50	-	-	-	-	-	**50**
Change in provision recorded inproperty, plant and equipment	-	-	-	-	8	-	**8**
Acquisitions through business combinations[1]	-	22	44	-	49	2	**117**
Transfer	-	-	-	-	6	(6)	**-**
Unwind of discount[2]	7	-	-	-	22	-	**29**
Effect of movements in foreign exchange rates	-	-	1	-	2	-	**3**
Balance at 31 December 2023	**211**	**1,356**	**41**	**19**	**1,284**	**97**	**3,008**
Non-current	*182*	*-*	*41*	*9*	*1,173*	*25*	***1,430***
Current	*29*	*1,356*	*-*	*10*	*111*	*72*	***1,578***

(1) The acquisition of Rijnmond Power Holding B.V., PZEM and Sloe Group, MaasStroom Energie C.V., Enecogen V.O.F. and SGL – Schienen Güter Logistik GmbH.
(2) Unwinding of discount is included in interest expense.
(3) As at 31 December 2023, the balance in amount of EUR 537 million represents mining related provisions recorded by MIBRAG GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 182 million represents decommissioning provisions recorded by NAFTA a.s. and NAFTA Germany GmbH. The balance in amount of EUR 180 million represents asset retirement costs recorded by EP Produzione S.p.A., Fiume Santo S.p.A., EP Centrale Tavazzano Montanaso S.p.A. and EP Centrale Ostiglia S.p.A. and the balance in amount of EUR 173 million represents asset retirement costs recorded by EP France Group. Remaining balance of EUR 212 million represents other decommissioning provisions.

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decom-missioning[3]	Other	Total
Balance at 1 January 2022	**274**	**1,342**	**71**	**28**	**1,230**	**79**	**3,024**
Provisions made during the period	42	1,613	12	2	51	41	**1,761**
Provisions used during the period	(26)	(1,334)	(18)	(2)	(41)	(12)	**(1,433)**
Provisions released during the period	(8)	-	(30)	(4)	(28)	(13)	**(83)**
Actuarial gains/losses	(118)	-	-	-	-	-	**(118)**
Change in provision recorded in property, plant and equipment	-	-	-	-	(21)	-	**(21)**
Acquisitions through business combinations[1]	-	-	-	-	1	-	**1**
Transfer	-	-	1	-	-	(1)	**-**
Unwind of discount[2]	3	-	-	-	(9)	-	**(6)**
Effect of movements in foreign exchange rates	-	(7)	(2)	-	(4)	1	**(12)**
Balance at 31 December 2022	**167**	**1,614**	**34**	**24**	**1,179**	**95**	**3,113**
Non-current	*135*	*-*	*1*	*20*	*1,058*	*32*	***1,246***
Current	*32*	*1,614*	*33*	*4*	*121*	*63*	***1,867***

(1) The acquisition of EP Power Grit.
(2) Unwinding of discount is included in interest expense.
(3) As at 31 December 2022, the balance in amount of EUR 472 million represents mining related provisions recorded by MIBRAG GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 181 million represents asset retirement costs recorded by EP Produzione S.p.A., Fiume Santo S.p.A. and EP Centrale Tavazzano Montanaso S.p.A. The balance in amount of EUR 181 million represents asset retirement costs recorded by EP France Group and the balance in amount of EUR 169 million represents decommissioning provisions recorded by NAFTA a.s. and NAFTA Germany GmbH. Remaining balance of EUR 176 million represents other decommissioning provisions.

Accounting for provisions involves frequent use of estimates, such as probability of occurrence of uncertain events or calculation of the expected outcome. Such estimates are based on past experience, statistical models and professional judgement.

EMPLOYEE BENEFITS

The Group recorded a significant amount as provision for long-term employee benefits related to its employees. Valuations of these provisions are sensitive to assumptions used in the calculations, such as future salary and benefit levels, discount rates, employee leaving rate, late retirement rate, mortality and life expectancy. The management considered various estimated factors and how these estimates would impact the recognised provision. As a result of this analysis, no significant variances to the recorded provision are expected.

The provision for employee benefits in the amount of EUR 211 million (2022: EUR 167 million) was recorded by MIBRAG GmbH, Helmstedter Revier GmbH, Gazel Energie Generation S.A.S., Kraftwerk Mehrum GmbH, EP Power Minerals GmbH, MINERALplus GmbH, Saale Energie GmbH, Eggborough Power Limited, Stredoslovenská distribučná, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, eustream, a.s., Stredoslovenská energetika a.s., EP Produzione S.p.A., Fiume Santo S.p.A., EP Produzione Centrale Livorno Ferraris S.p.A., EP Centrale Tavazzano Montanaso S.P.A., EP Centrale Ostiglia S.P.A, Elektrárny Opatovice, a.s. and United Energy, a.s.

I. GAZEL ENERGIE GENERATION S.A.S.

The provision recorded by Gazel Energie Generation S.A.S. amounts to EUR 119 million (2022: EUR 79 million), of which EUR 119 million (2022: EUR 75 million) represents a defined benefit pension scheme and EUR 0 million (2022: EUR 4 million) represents other post-employment benefits.

The schedules below summarise information about the defined benefit obligations and plan assets.

In millions of EUR

	2023	2022
Plan A		
Fair value of plan asset	-	-
Present value of obligations	(31)	(20)
Total employee (benefit) asset	**(31)**	**(20)**
Plan B		
Fair value of plan asset	-	-
Present value of obligations	(2)	(2)
Total employee (benefit) asset	**(2)**	**(2)**
Plan C		
Fair value of plan asset	-	-
Present value of obligations	(85)	(52)
Total employee (benefit) asset	**(85)**	**(52)**
Plan D		
Fair value of plan asset	-	-
Present value of obligations	(1)	(1)
Total employee (benefit) asset	**(1)**	**(1)**

During the year ended 31 December 2023, benefits paid by plans were EUR 2 million (2022: EUR 3 million), current service costs amounted to EUR 1 million (2022: EUR 2 million) and current interest costs to EUR 0 million (2022: EUR 1 million) and actuarial losses recognised in other comprehensive income were EUR 39 million (2022: gain EUR 29 million).

II. SSE HOLDING GROUP

PENSION PLANS

This program has a defined contribution pension plan under which the Group pays fixed contributions to third parties or government. The Group has no legal or constructive obligation to pay further funds, if the amount of plan assets is insufficient to pay all the performance of employees who are eligible for the current and prior periods.

The amount of benefits depends on several factors, such as age, years of service and salary.

UNFUNDED PENSION PLAN WITH DEFINED BENEFIT

From 2022, the companies within the SSE Holding Group signed individual collective agreements for the period 2023–2025, the Companies are obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary.

OTHER BENEFITS

The Companies in the SSE Holding Group also pays benefits for work and life anniversaries. The Companies had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

III. OTHER COMPANIES

The long-term employee benefits program at Slovak companies (NAFTA, SPPD and eustream) is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement as a multiple of the employee's average salary and, subject to vesting conditions. To date it has been an unfunded program, with no separately allocated assets to cover the program's liabilities. The Companies also pays benefits for work and life anniversaries.

The Companies had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

Companies located in the United Kingdom (EP UK Investments Limited, EP Ballylumford Limited and EP Kilroot Limited) report defined benefit plan assets in excess of obligations in amount of EUR 45 million (2022: EUR 43 million). Plan assets are included in trade receivables and other assets (refer to Note 20).

PROVISION FOR EMISSION RIGHTS

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO_2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

PROVISION FOR LAWSUITS

A provision of EUR 19 million relates mainly to litigations and claims described in Note 33 – Litigations and claims. As disclosed in Note 33 – Litigations and claims, there are other legal proceedings in which the Group is involved and for which the possibility of an outflow of resources was assessed as remote as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2023 and 31 December 2022.

PROVISION FOR RESTORATION AND DECOMMISSIONING

The provision of EUR 1,284 million (2022: EUR 1,179 million) was primarily recorded by entities in EPPE Flexible Power Generation and EPPE Other segments in Germany (EUR 602 million; 2022: EUR 534 million); Italy (EUR 190 million; 2022: EUR 193 million) and France (EUR 172 million; 2022: EUR 182 million) and by Storage segment (EUR 205 million; 2022: EUR 189 million).

I. GERMANY (MIBRAG GMBH AND HELMSTEDTER REVIER GMBH)

According to the German Federal Mining Law, a mining company is obliged to re-cultivate/reclaim all the land used for mining purposes after discontinuation of mining operations. The requirements to be met for this purpose are set forth in a comprehensive framework operation plan and compliance is monitored by the mining authorities.

As at 31 December 2023, the provision for re-cultivation of both Schleenhain and Profen strip mines recorded by MIBRAG GmbH is based on the recommendations of The German Commission on Growth, Structural change and Employment („coal commission“) from 26 January 2019 which proposes a gradual reduction and closure of all coal-fired power plants and subsequently strip mines in Germany by 2035.

The average discount rate applied to calculate present value of the provision was 2.46% (2022: 2.9%) and the average escalation rate was 1.66% (2022: 1.89%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 71 million (2022: EUR 60 million), while an increase of 1% would increase the present value of the provisions by EUR 83 million (2022: EUR 71 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 69 million (2022: EUR 59 million), while a decrease of 1% would increase the present value of the provisions by EUR 83 million (2022: EUR 71 million). These analyses assume that all other variables remain constant.

II. STORAGE (POZAGAS A.S., NAFTA A.S., NAFTA GERMANY GMBH AND SPP STORAGE, S.R.O.)

NAFTA a.s. and NAFTA Germany GmbH (through its subsidiaries) have a number of production wells and 236 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. Companies have the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law. These costs are expected to be incurred between 2023 and 2093.

The average discount rate applied to calculate present value of the provision was 2.64% (2022: 3.29%) and the average escalation rate was 1.53% (2022: 1.82%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 25 million (2022: EUR 28 million), while an increase of 1% would increase the present value of the provisions by EUR 42 million (2022: EUR 37 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 24 million (2022: EUR 27 million), while a decrease of 1% would increase the present value of the provisions by EUR 42 million (2022: EUR 37 million). These analyses assume that all other variables remain constant.

III. ITALY (EP PRODUZIONE S.P.A., FIUME SANTO S.P.A., EP CENTRALE TAVAZZANO MONTANASO S.P.A. AND EP CENTRALE OSTIGLIA S.P.A.)

As at 31 December 2023, the provisions recognized by the companies represent asset retirement provision related to the eventual retirement of tangible assets, provisions for restoration of land in Lombardia (Tavazzano and Ostiglia plants) and Sardegna (Fiume Santo plant) regions, provision for health and safety risk and potential liabilities arising from regulatory rules for Fiume Santo plant.

The average discount rate applied to calculate present value of the provision was 3.39% (2022: 2.53%) and the average escalation rate was 0.86% (2022: 0.83%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 13 million), while an increase of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 14 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 12 million), while a decrease of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 14 million). These analyses assume that all other variables remain constant.

IV. FRANCE (GAZEL ENERGIE GENERATION S.A.S., AERODIS S.A., GAZEL ENERGIE RENOUVELABLES S.A.S., GAZEL ENERGIE SOLAIRE S.A.S. AND SURSCHISTE S.A.)

As at 31 December 2023, the provisions recognized by the companies in France represent mainly provisions for dismantling the power plants of Gazel Energie Generation S.A.S. (including Emile Huchet and Provence power plants, closed power plants of Hornaing and Lucy and provision for restoration of land) and provision for dismantling the windfarms and solar farms.

The average discount rate applied to calculate present value of the provision was 3.01% (2022: 3%) and the average escalation rate was 2.00% (2022: 2.51%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 13 million), while an increase of 1% would increae the present value of the provisions by EUR 12 million (2022: EUR 15 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 11 million (2022: EUR 13 million), while a decrease of 1% would increase the present value of the provisions by EUR 12 million (2022: EUR 15 million). These analyses assume that all other variables remain constant.

V. OTHER

Other companies estimated the provision for decontamination and restoration and long-term asset retirement using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate.

Those sites have not been included in stress testing as the change in provisions due to a change in parameters would have insignificant impact on the Group's financial statements.

26. Deferred income

In millions of EUR

	31 December 2023	31 December 2022
Government grants	90	89
Other deferred income	51	58
Total	**141**	**147**
Non-current	84	83
Current	57	64
Total	**141**	**147**

Balance of government grants in amount of EUR 90 million (2022: EUR 89 million) is mainly represented by eustream, a.s. of EUR 56 million (2022: EUR 54 million), Elektrárny Opatovice, a.s. of EUR 13 million (2022: EUR 15 million) and others. Balance of government grants recognized by eustream is primarily represented by subsidies from the European Commission relating to projects such as interconnection pipelines between Poland and Slovakia or Hungary and Slovakia.

Balance of other deferred income in amount of EUR 51 million (2022: EUR 58 million) is mainly represented by EP Ballylumford Limited of EUR 10 million (2022: EUR 0 million), Gazel Energie Generation S.A.S. of EUR 9 million (2022: EUR 19 million), EP Cargo a.s. of EUR 8 million (2022: EUR 9 million), and NAFTA a.s. of EUR 5 million (2022: EUR 0 million). The deferred income of Gazel Energie Generation S.A.S. is associated with capacity market payments, which will be recognised in income statement after the utilization of capacity in the following years.

27. Financial instruments

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In millions of EUR

	31 December 2023	31 December 2022
Assets carried at amortised cost		
Loans to other than credit institutions	179	169
Bills of exchange at amortized cost	1	-
Other short-term deposits	-	13
Impairment of loans to other than credit institutions	(11)	(13)
Total	**169**	**169**
Assets carried at fair value		
Hedging: *of which*	731	940
Commodity derivatives cash flow hedge[(1)]	*726*	*931*
Interest rate swaps cash flow hedge	*3*	*9*
Currency forwards cash flow hedge	*2*	-
Non-hedging: *of which*	4,109	5,024
Commodity derivatives reported as trading[(2)]	*2,442*	*4,740*
Equity option at fair value through PL[(3)]	*1,629*	*160*
Currency forwards reported as trading	*22*	*36*
Interest rate swaps reported as trading	*15*	*84*
Other derivatives reported as trading	*1*	*3*
Currency swaps reported as trading	-	*1*
Receivables at fair value through PL: *of which*	138	-
Contingent consideration at fair value through PL[(4)]	*138*	-
Equity instruments at fair value through OCI: *of which*	117	107
Shares at fair value through OCI	*117*	*107*
Equity instruments at fair value through PL: *of which*	-	8
Shares at fair value through PL	-	*8*
Total	**5,095**	**6,079**
Non-current	546	740
Current	4,718	5,508
Total	**5,264**	**6,248**

(1) Commodity derivatives designated as cash flow hedges primarily relate to forwards or other type of derivative contracts for sale/purchase of electricity and gas. EP ENERGY TRADING, a.s. hedges the cash flows related to purchase/sale of electricity utilised for electricity supply to final customers. Additionally, as of 31 December 2023 eustream a.s. holds certain historical commodity swaps that were originally entered in order to hedge its natural gas selling prices.
(2) Commodity derivatives reported as trading relate mainly to risk management activities on our supply and generation business for which however the Group does not maintain formal hedge accounting documentation required by IFRS.
(3) For more details on equity option, including the use of unobservable inputs and sensitivity analysis, refer to Note 17.
(4) In 2016, the EPH Group acquired 33% effective share in SE Group for EUR 150 million which is subject to a price adjustment mechanism. Final purchase price may result in partial return of consideration paid or additional payment for the share. As at 31 December 2023, the Group recognized a receivable of EUR 138 million as an estimated future settlement of the price to be received from the seller (2022: liability of EUR 70 million).

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In millions of EUR

	31 December 2023	31 December 2022
Liabilities carried at amortised cost		
Other financial liabilities	1	9
Issued bills of exchange at amortised costs	-	213
Total	**1**	**222**
Liabilities carried at fair value		
Hedging: *of which*	612	1,162
Commodity derivatives cash flow hedge	*608*	*1,155*
Currency forwards cash flow hedge	*3*	*7*
Interest rate swaps cash flow hedge	*1*	-
Non-hedging: *of which*	1,717	3,809
Commodity derivatives reported as trading[(1)]	*1,661*	*3,761*
Interest rate swaps reported as trading	*48*	*38*
Currency forwards reported as trading	*7*	*4*
Other derivatives reported as trading	*1*	*6*
Total	**2,329**	**4,971**
Non-current	173	441
Current	2,157	4,752
Total	**2,330**	**5,193**

(1) Commodity derivatives reported as trading relate mainly to risk management activities on our supply and generation business for which however the Group does not maintain formal hedge accounting documentation required by IFRS.

The weighted average interest rate on loans to other than credit institutions for 2023 was 8.48% (2022: 6.36%).

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

In millions of EUR

	31 December 2023		31 December 2023	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	2,998	(2,772)	731	(612)
Commodity derivatives cash flow hedge	*2,333*	*(2,112)*	*726*	*(608)*
Interest rate swaps cash flow hedge	*83*	*(81)*	*3*	*(1)*
Currency forwards cash flow hedge	*582*	*(579)*	*2*	*(3)*
Non-hedging: *of which*	13,714	(11,316)	4,109	(1,717)
Commodity derivatives reported as trading	*9,192*	*(8,419)*	*2,442*	*(1,661)*
Equity option at fair value through PL	*1,629*	*-*	*1,629*	*-*
Currency forwards reported as trading	*1,400*	*(1,404)*	*22*	*(7)*
Interest rate swaps reported as trading	*1,146*	*(1,146)*	*15*	*(48)*
Other derivatives reported as trading	*347*	*(347)*	*1*	*(1)*
Total	**16,712**	**(14,088)**	**4,840**	**(2,329)**

In millions of EUR

	31 December 2022		31 December 2022	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	3,977	(3,954)	940	(1,162)
Commodity derivatives cash flow hedge	*3,667*	*(3,637)*	*931*	*(1,155)*
Interest rate swaps cash flow hedge	*80*	*(76)*	*9*	*-*
Currency forwards cash flow hedge	*230*	*(241)*	*-*	*(7)*
Non-hedging: *of which*	14,526	(15,112)	5,024	(3,809)
Commodity derivatives reported as trading	*11,152*	*(11,912)*	*4,740*	*(3,761)*
Equity option at fair value through PL	*236*	*(76)*	*160*	*-*
Interest rate swaps reported as trading	*1,353*	*(1,353)*	*84*	*(38)*
Currency forwards reported as trading	*1,157*	*(1,141)*	*36*	*(4)*
Other derivatives reported as trading	*605*	*(608)*	*3*	*(6)*
Currency swaps reported as trading	*23*	*(22)*	*1*	*-*
Total	**18,503**	**(19,066)**	**5,964**	**(4,971)**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 31 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR where the contractual condition of derivatives does not meet the “own use exemption” as noted in IFRS 9.2.4.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 31 – Risk management policies and disclosures.

In millions of EUR

		2023		
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: *of which*	-	731	-	**731**
Commodity derivatives cash flow hedge	*-*	*726*	*-*	***726***
Interest rate swaps cash flow hedge	*-*	*3*	*-*	***3***
Currency forwards cash flow hedge	*-*	*2*	*-*	***2***
Non-hedging: *of which*	-	2,455	1,654	**4,109**
Commodity derivatives reported as trading	*-*	*2,417*	25	***2,442***
Equity option at fair value through PL	*-*	*-*	1,629	***1,629***
Currency forwards reported as trading	*-*	*22*	*-*	***22***
Interest rate swaps reported as trading	*-*	*15*	*-*	***15***
Other derivatives reported as trading	*-*	*1*	*-*	***1***
Receivables at fair value through PL: *of which*	-	-	138	**138**
Contingent consideration at fair value	*-*	*-*	*138*	***138***
Equity instruments at fair value through OCI: *of which*	-	-	117	**117**
Shares at fair value through OCI	*-*	*-*	*117*	***117***
Total	**-**	**3,186**	**1,909**	**5,095**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	612	-	**612**
Commodity derivatives cash flow hedge	*-*	*608*	*-*	***608***
Currency forwards cash flow hedge	*-*	*3*	*-*	***3***
Interest rate swaps cash flow hedge	*-*	*1*	*-*	***1***
Commodity derivatives fair value hedge	*-*	*-*	*-*	***-***
Non-hedging: *of which*	-	1,709	8	**1,717**
Commodity derivatives reported as trading	*-*	*1,653*	*8*	***1,661***
Interest rate swaps reported as trading	*-*	*48*	*-*	***48***
Currency forwards reported as trading	*-*	*7*	*-*	***7***
Other derivatives reported as trading	*-*	*1*	*-*	***1***
Total	**-**	**2,321**	**8**	**2,329**

In millions of EUR

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: *of which*	-	940	-	**940**
Commodity derivatives cash flow hedge	-	*931*	-	***931***
Interest rate swaps cash flow hedge	-	*9*	-	***9***
Non-hedging: *of which*	-	4,734	290	**5,024**
Commodity derivatives reported as trading	-	*4,610*	130	***4,740***
Equity option at fair value through PL	-	-	160	***160***
Interest rate swaps reported as trading	-	*84*	-	***84***
Currency forwards reported as trading	-	*36*	-	***36***
Other derivatives reported as trading	-	*3*	-	***3***
Currency swaps reported as trading	-	*1*	-	***1***
Equity instruments at fair value through OCI: *of which*	-	-	107	**107**
Shares at fair value through OCI	-	-	*107*	***107***
Equity instruments at fair value through PL: *of which*	8	-	-	**8**
Shares at fair value through PL	*8*	-	-	***8***
Total	**8**	**5,674**	**397**	**6,079**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	1,162	-	**1,162**
Commodity derivatives cash flow hedge	-	*1,155*	-	***1,155***
Currency forwards cash flow hedge	-	*7*	-	***7***
Non-hedging: *of which*	-	3,809	-	**3,809**
Commodity derivatives reported as trading	-	*3,761*	-	***3,761***
Interest rate swaps reported as trading	-	*38*	-	***38***
Other derivatives reported as trading	-	*6*	-	***6***
Currency forwards reported as trading	-	*4*	-	***4***
Total	**-**	**4,971**	**-**	**4,971**

The fair value of financial instruments held at amortised costs is shown in the table below:

In millions of EUR

	Carrying value	Fair value
	31 December 2023	31 December 2023
Financial assets		
Loans to other than credit institutions	(1)168	177
Bills of exchange at amortized cost	1	1
Total	**169**	**178**
Financial liabilities		
Other financial liabilities	1	1
Total	**1**	**1**

In millions of EUR

	Carrying value	Fair value
	31 December 2022	31 December 2022
Financial assets		
Loans to other than credit institutions	(1)156	158
Other short-term deposits	13	13
Total	**169**	**171**
Financial liabilities		
Issued bills of exchange at amortised costs	213	213
Other financial liabilities	9	9
Total	**222**	**222**

(1) Loans to other than credit institutions are stated net of impairment.

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

TRANSACTIONS WITH EMISSION RIGHTS NOT RECOGNIZED IN BALANCE SHEET

The following information pertains to contracts on delivery or sale of emission rights. These contracts meet the requirements of IFRS 9 for the application of the own-use exemption and therefore do not fall in the scope of IFRS 9 (refer to Note 3(f) – Derivative financial instruments – Transactions with emission rights and energy) and are reported as off-balance sheet items, not derivatives. The management carefully assessed conditions of the contracts and concluded that all contracts are intended to be settled via physical delivery needed for consumption or physically delivered quantities shall be sold as part of its ordinary business, therefore the contracts are not reported as derivatives.

As at 31 December 2023 the Group is contractually obliged to forward purchase 21,274,125 pieces (2022: 25,229,058 pieces) of emission rights at an average price 77.56 EUR/piece (2022: 82.42 EUR/piece), with delivery predominantly in 2024.

28. Trade payables and other liabilities

In millions of EUR

	31 December 2023	31 December 2022
Trade payables	1,328	1,942
Liabilities from dividends(1)	375	-
Other liabilities	372	484
Estimated payables	296	124
Uninvoiced supplies	171	427
Other tax liabilites	166	157
Payroll liabilities	163	136
Margin of stock exchange derivatives	172	552
Accrued expenses	93	438
Advance payments received	9	73
Retentions to contractors	8	5
Other contingent consideration(2)	-	70
Total	**3,153**	**4,408**
Non-current	20	92
Current	3,133	4,316
Total	**3,153**	**4,408**

(1) The balance relates to dividend payable in the amount of EUR 236 million declared to shareholders of the Company and EUR 139 million declared to SPP, a.s. as a non-controlling shareholder.
(2) For more details refer to Note 27.

Trade payables and other liabilities have not been secured as at 31 December 2023 and 31 December 2022.

As at 31 December 2023 and 2022, no liabilities to social 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.

As at 31 December 2023 and 2022, the fair values of trade payables and other liabilities equal to their carrying amounts.

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.

29. Commitments and contingencies

OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2023	31 December 2022
Commitments	2,555	3,686
Granted pledges – securities	762	529
Guarantees given	50	1,150
Other granted pledges	637	1,361
Total	**4,004**	**6,726**

GRANTED PLEDGES – SECURITIES

Granted pledges represent securities of individual Group companies used as collateral for external financing.

GUARANTEES GIVEN

Guarantees given include guarantees in the amount of EUR 34 million (2022: EUR 1,140 million) used mainly as a collateral for commodity hedging by related parties and payment guarantees of EUR 16 million (2022: EUR 10 million).

As the parent-company guarantee with exposure up to EUR 1,100 million expired on 31 December 2023, we present only outstanding balance as of year-end of liabilities which can be claimed until 29 February 2024.

COMMITMENTS

In 2018, MIBRAG GmbH ("MIBRAG") concluded agreements with Saxony's Upper Mining Authority ("SOBA") and Saxony-Anhalt's State Office of Geology and Mining ("LAGB"), to ensure that the expenses for restoring open-cast mines are covered. The concluded agreements provide for the establishment of a special fund designed to financially shore up future liquidity requirements, which is to be set up successively by transferring certain assets to this fund by MIBRAG and by reinvesting the assets within the fund.

The two special purpose vehicles were established in 2020 and have since been funded as contractually agreed. MIBRAG is in close contact with the two mining authorities regarding need for adjustments resulting from the dynamic developments of the recent past.

In case of Lynemouth Power Limited, approximately 75–88% of annual biomass consumption (average annual consumption representing 1.5 megatonnes) has been contracted under two "take or pay" schemes, with a certain flexibility. Both contracts are concluded until 31 December 2027.

Majority of remaining commitments is represented by contracts to purchase physical energy in following years by SSE Group (Stredoslovenská energetika holding, a.s. including all its subsidiaries) in amount of EUR 644 million (2022: EUR 1,368 million), where physical delivery of the energy will be realised in future, majority of which in 2024. Year on year decrease of the commitment value is primarily driven by the price effect. Contracts for purchase of non-current assets of EUR 18 million (2022: EUR 19 million) are recognized by SSD and of EUR 8 million (2022: EUR 8 million) by eustream, a.s. and contracts for future purchase of emission rights of EUR 1,650 million (2022: EUR 2,079 million) are recognized by EP Produzione Group, MIBRAG GmbH, Saale Energie GmbH, Kraftwerk Mehrum GmbH, EP France Group, EPUKI Group, EP NL Group, Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská teplárenská, a.s. and NAFTA a.s. Remaining commitments arise from different type of service contracts.

OTHER GRANTED PLEDGES

In millions of EUR

	31 December 2023	31 December 2022
Trade receivables	419	638
Property, plant and equipment	153	564
Cash and cash equivalents	45	124
Inventories	20	35
Total	**637**	**1,361**

OFF BALANCE SHEET ASSETS

In millions of EUR

	31 December 2023	31 December 2022
Received promises	3,476	2,455
Other received guarantees and warranties	260	298
Total	**3,736**	**2,753**

RECEIVED PROMISES

Received promises mainly comprise loan commitments received by various companies within the Group in amount of EUR 2,372 million (2022: EUR 1,604 million). Contracts for the future sale of energy in amount of EUR 951 million (2022: EUR 850 million) is recognised by SSE Group.

OTHER RECEIVED GUARANTEES AND WARRANTIES

Other received guarantees and warranties mainly consist of guarantees received from parent company of the customer to secure trade receivables in the amount of EUR 258 million (2022: EUR 193 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and in 2022 also guarantees received from banks of EUR 41 million recognised by NAFTA a.s. Further included are payment guarantees of EUR 2 million recognized by Gazel Energie Solutions S.A.S. and in 2022 also by EP Commodities a.s. and EP Power Minerals GmbH (2022: EUR 64 million).

30. Leases

LEASES AS A LESSEE

RIGHT-OF-USE ASSETS

Right-of-use assets related to leased land and buildings and technical equipment, plant and machinery that do not meet the definition of investment property are presented as property, plant and equipment (refer to Note 15).

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 January 2023	**43**	**140**	**183**
Depreciation charge for the year	(10)	(62)	(72)
Additions to right-of-use assets	10	67	77
Additions in business combinations	27	-	27
Effects of movements in foreign exchange rate	-	(3)	(3)
Balance at 31 December 2023	**70**	**142**	**212**
Balance at 1 January 2022	**46**	**123**	**169**
Depreciation charge for the year	(8)	(64)	(72)
Additions to right-of-use assets	5	79	84
Disposals	-	(2)	(2)
Modifications to right-of-use assets	-	1	1
Effects of movements in foreign exchange rate	-	3	3
Balance at 31 December 2022	**43**	**140**	**183**

MATURITY ANALYSIS OF LEASE LIABILITIES

In millions of EUR

	31 December 2023	31 December 2022
Undiscounted contractual cash flows by maturity		
Up to 3 months	20	11
3 months to 1 year	43	37
1–5 years	104	91
Over 5 years	48	45
Total undiscounted contractual cash flows	**215**	**184**
Carrying amount	**213**	**179**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2023	2022
Depreciation charge for the year	(72)	(72)
Interest on lease liabilities	(6)	(4)
Expenses related to short-term leases	(15)	(15)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(2)	(2)
Expenses related to variable lease payments not included in measurement of lease liability	(1)	(1)

AMOUNTS RECOGNIZED IN STATEMENT OF CASH FLOWS

In millions of EUR

	2023	2022
Payment of lease liabilities	(71)	(70)
Payment of interest related to lease liabilities	(6)	(3)
Total cash outflow for leases	**(77)**	**(73)**

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 risks. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate, commodity price risk, foreign exchange risk, concentration risk and regulatory risk.

As part of its operations, the Group is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices. 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 uses credit databases for analysis of creditworthiness of new customers and after deemed creditworthy they are also subject to Risk committee approval. The Group's policy is also to require suitable collateral to be provided by customers such as a bank guarantee or a parent company guarantee. The exposure to credit risk is monitored on an ongoing basis.

ADDITIONAL ASPECTS MITIGATING CREDIT RISK

The Group operates mainly as an energy and power generation and distribution company, and thus has a specific customer structure. The distribution companies represent a comparatively low credit risk. The large clients are dependent upon electricity supplies which significantly mitigates the credit risks. In addition, bank guarantees and advance payments are required before active operation with traders. Previous experience shows that such elements are very favourable in terms of credit risk mitigation. Customers of distribution and supply segment of Heat Infra segment are required to pay prepayments which further decrease credit risk. In energy and power generation sector, increasing proportion of the revenues is generated from the regulated and/or state-controlled entities (especially in relation to the green energy production and services provided to grids; refer to Note 3(o) – Revenues for description of grid services), which represent a comparatively low credit risk. At the same time substantial volume of the transactions is done with large clients with solid credit standing and/or are realized through exchanges, which provides for further risk mitigation.

The carrying amount of financial assets (plus guarantees issued) 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 AT 31 DECEMBER 2023

In millions of EUR

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
Assets							
Cash and cash equivalents	-	-	-	3,502	-	-	**3,502**
Restricted cash	-	-	-	56	-	-	**56**
Contract assets	75	-	-	-	-	-	**75**
Trade receivables and other assets	3,284	278	19	492	10	25	**4,108**
Financial instruments and other financial assets	5,129	-	76	59	-	-	**5,264**
Total	**8,488**	**278**	**95**	**4,109**	**10**	**25**	**13,005**

AS AT 31 DECEMBER 2022

In millions of EUR

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
Assets							
Cash and cash equivalents	-	-	-	3,010	-	-	**3,010**
Restricted cash	-	-	-	40	-	-	**40**
Contract assets	80	-	-	-	20	-	**100**
Trade receivables and other assets	4,126	365	80	903	196	34	**5,704**
Financial instruments and other financial assets	6,081	13	5	149	-	-	**6,248**
Total	**10,287**	**378**	**85**	**4,102**	**216**	**34**	**15,102**

CREDIT RISK BY LOCATION OF DEBTOR

AS AT 31 DECEMBER 2023

In millions of EUR

	Czech Republic	Slovakia	Switzerland	Italy	Germany	United Kingdom	France	Ireland	Netherlands	Luxembourg	Other	Total
Assets												
Cash and cash equivalents	1,019	976	-	372	629	223	57	11	103	-	112	**3,502**
Restricted cash	2	-	-	-	15	18	-	5	15	-	1	**56**
Contract assets	12	63	-	-	-	-	-	-	-	-	-	**75**
Trade receivables and other assets	224	145	40	1,106	729	638	240	110	437	-	439	**4,108**
Financial instruments and other financial assets	92	1,716	1	78	442	1,023	1,067	-	338	-	507	**5,264**
Total	**1,349**	**2,900**	**41**	**1,556**	**1,815**	**1,902**	**1,364**	**126**	**893**	**-**	**1,059**	**13,005**

AS AT 31 DECEMBER 2022

In millions of EUR

	Czech Republic	Slovakia	Switzerland	Italy	Germany	United Kingdom	France	Ireland	Netherlands	Luxembourg	Other	Total
Assets												
Cash and cash equivalents	935	961	113	425	151	164	104	19	92	13	33	**3,010**
Restricted cash	2	-	-	-	12	21	-	5	-	-	-	**40**
Contract assets	20	54	3	-	-	1	-	-	-	-	22	**100**
Trade receivables and other assets	226	233	453	923	1,169	1,823	497	9	17	228	126	**5,704**
Financial instruments and other financial assets	50	666	176	199	607	1,163	2,983	-	64	-	340	**6,248**
Total	**1,233**	**1,914**	**745**	**1,547**	**1,939**	**3,172**	**3,584**	**33**	**173**	**241**	**521**	**15,102**

As at 31 December 2023, location Other comprises mainly debtors located in Croatia and Hungary (2022: Croatia and Poland).

II. IMPAIRMENT LOSSES

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The following table provides information about the changes in the loss allowance during the period.

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2023	**(28)**	**(9)**	**(34)**	**-**	**(71)**
Impairment losses recognized during the year	(12)	-	(5)	-	**(17)**
Reversal of impairment losses recognized during the year	6	-	2	-	**8**
Change in credit risk	3	2	-	-	**5**
Write-offs	1	-	-	-	**1**
Effects of movements in foreign exchange rate	(1)	1	1	-	**1**
Balance at 31 December 2023	**(31)**	**(6)**	**(36)**	**-**	**(73)**

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2022	**(17)**	**(7)**	**(37)**	**-**	**(61)**
Impairment losses recognized during the year	(19)	(3)	(1)	-	**(23)**
Reversal of impairment losses recognized during the year	8	-	4	-	**12**
Change in credit risk	-	-	(1)	-	**(1)**
Write-offs	1	-	-	-	**1**
Effects of movements in foreign exchange rate	(1)	1	1	-	**1**
Balance at 31 December 2022	**(28)**	**(9)**	**(34)**	**-**	**(71)**

The most significant change which contributed to change in the loss allowance during 2023 and 2022 was mainly change in the gross carrying amount of trade receivables.

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

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2023

In millions of EUR

	Bills of exchange at amortized cost	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	1	55	168	4,048	**4,272**
After maturity (net)	-	20	-	60	**80**
Total	**1**	**75**	**168**	**4,108**	**4,352**
A – Assets (gross)					
– before maturity	1	55	168	4,073	**4,297**
– after maturity <30 days	-	20	-	42	**62**
– after maturity 31–180 days	-	-	11	8	**19**
– after maturity 181–365 days	-	-	-	4	**4**
– after maturity >365 days	-	1	-	42	**43**
Total assets (gross)	**1**	**76**	**179**	**4,169**	**4,425**
B – Loss allowances for assets					
– before maturity	-	-	-	(25)	**(25)**
– after maturity <30 days	-	-	-	(1)	**(1)**
– after maturity 31–180 days	-	-	(11)	(1)	**(12)**
– after maturity 181–365 days	-	-	-	(2)	**(2)**
– after maturity >365 days	-	(1)	-	(32)	**(33)**
Total loss allowances	**-**	**(1)**	**(11)**	**(61)**	**(73)**
Total assets (net)	**1**	**75**	**168**	**4,108**	**4,352**

AS AT 31 DECEMBER 2022

In millions of EUR

	Other term deposits	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	13	100	156	5,661	**5,930**
After maturity (net)	-	-	-	43	**43**
Total	**13**	**100**	**156**	**5,704**	**5,973**
A – Assets (gross)					
– before maturity	13	100	169	5,686	**5,968**
– after maturity <30 days	-	-	-	14	**14**
– after maturity 31–180 days	-	-	-	25	**25**
– after maturity 181–365 days	-	-	-	12	**12**
– after maturity >365 days	-	1	-	24	**25**
Total assets (gross)	**13**	**101**	**169**	**5,761**	**6,044**
B – Loss allowances for assets					
– before maturity	-	-	(13)	(25)	**(38)**
– after maturity <30 days	-	-	-	-	**-**
– after maturity 31–180 days	-	-	-	(5)	**(5)**
– after maturity 181–365 days	-	-	-	(3)	**(3)**
– after maturity >365 days	-	(1)	-	(24)	**(25)**
Total loss allowances	**-**	**(1)**	**(13)**	**(57)**	**(71)**
Total assets (net)	**13**	**100**	**156**	**5,704**	**5,973**

Group calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on historical provision matrix. Probability of default is taken from a historical provision matrix (set up separately by each component) with element of forward-looking information. The resulting collective loss allowance was not significant as at 31 December 2023 and therefore was not recognized.

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 loss allowance would be negligible and therefore it was not recognized.

B LIQUIDITY RISK

The Group faces the risk that it will experience difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset as they fall due. In particular, high volatility of commodity prices.

To mitigate its general liquidity risk, the Group focuses on diversifying sources of funds, which gives the Group flexibility and limits its dependency on a single financing source, and also holds a portion of its assets in highly liquid funds. As of 31 December 2023 and 31 December 2022, the Group had available undrawn committed term, revolving credit and overdraft facilities in the amount of EUR 2,372 million and EUR 1,604 million, respectively, providing additional liquidity to the Group.

Liquidity risk is evaluated by monitoring changes in the financing structure and comparing these changes with the Group's liquidity risk management strategy. The Group typically seeks to have sufficient cash available on demand and assets with short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations, although this excludes the impact of extreme events that cannot be reliably predicted, like natural disasters. As of 31 December 2023 and 31 December 2022, the Group had EUR 3,502 million and EUR 3,010 million, respectively, of cash and cash equivalents.

The table below provides an analysis of financial 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.

MATURITIES OF FINANCIAL LIABILITIES

AS AT 31 DECEMBER 2023

In millions of EUR

	Carrying amount	Contractual cash flows[1]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	[2]**8,330**	9,218	47	1,043	6,970	1,158
Trade payables and other liabilities	[3]**2,974**	2,974	2,767	186	18	2
Financial instruments and financial liabilities	[4]**2,297**	2,297	950	1,174	173	-
Total	**13,601**	**14,489**	**3,764**	**2,403**	**7,161**	**1,160**
Net liquidity risk position[5]	**(1,850)**	**(2,708)**	**3,930**	**1,082**	**(6,634)**	**(1,086)**

* Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa.
** Contract liabilities in amount of EUR 225 million are not shown in the table above as these items are not expected to cause any future cash outflow.
(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 2,372 million.
(3) Advances received and margin payments in amount of EUR 179 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Variation margin payments paid in amount of EUR 33 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Variation margin payments represent already cash-effective changes resulting from derivative financial instruments.
(5) Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 896 million as these items will cause no future cash outflow and equity instruments in amount of EUR 113 million as these items are non-monetary assets.

AS AT 31 DECEMBER 2022

In millions of EUR

	Carrying amount	Contractual cash flows[1]	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
Liabilities						
Loans and borrowings	[2]**7,707**	8,170	84	696	5,735	1,655
Trade payables and other liabilities	[3]**3,973**	3,973	3,412	393	160	8
Financial instruments and financial liabilities	[4]**4,524**	4,524	1,113	2,970	441	-
Total	**16,204**	**16,667**	**4,609**	**4,059**	**6,336**	**1,663**
Net liquidity risk position[5]	**(2,939)**	**(3,378)**	**3,803**	**44**	**(5,654)**	**(1,571)**

* Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa.
** Contract liabilities in amount of EUR 179 million are not shown in the table above as these items are not expected to cause any future cash outflow.
(1) Contractual cash flows disregarding discounting to net present value and including potential interest.
(2) The Group has available committed undrawn term facilities and revolving facilities in amount of EUR 1,604 million.
(3) Advances received and margin payments in amount of EUR 435 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Variation margin payments paid in amount of EUR 669 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. Variation margin payments represent already cash-effective changes resulting from derivative financial instruments.
(5) Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 1,269 million as these items will cause no future cash outflow and equity instruments in amount of EUR 107 million as these items are non-monetary assets.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

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 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 Group uses interest rate swaps and other types of derivatives to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs.

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 not interest-bearing are grouped together in the "maturity undefined" category.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2023 is as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	3,502	-	-	-	**3,502**
Restricted cash	56	-	-	-	**56**
Trade receivables and other assets	156	-	-	3,952	**4,108**
Financial instruments and other financial assets[1]	216	25	1	5,022	**5,264**
Total	**3,930**	**25**	**1**	**8,974**	**12,930**
Liabilities					
Loans and borrowings[2]	3,946	3,322	1,054	8	**8,330**
Trade payables and other liabilities	9	-	-	3,144	**3,153**
Financial instruments and financial liabilities[1]	58	7	-	2,265	**2,330**
Total	**4,013**	**3,329**	**1,054**	**5,417**	**13,813**
Net interest rate risk position	**(83)**	**(3,304)**	**(1,053)**	**3,557**	**(883)**
Effect of interest rate swaps	500	(300)	(200)	-	-
Net interest rate risk position (incl. IRS)[3]	**417**	**(3,604)**	**(1,253)**	**3,557**	**(883)**

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(2) Disregarding agreed interest rate swaps.
(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position means that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 27 – Financial instruments.

Interest rate risk exposure as at 31 December 2022 was as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
Assets					
Cash and cash equivalents	3,010	-	-	-	**3,010**
Restricted cash	40	-	-	-	**40**
Trade receivables and other assets	10	-	-	5,694	**5,704**
Financial instruments and other financial assets[1]	224	102	1	5,921	**6,248**
Total	**3,284**	**102**	**1**	**11,615**	**15,002**
Liabilities					
Loans and borrowings[2]	3,599	2,554	1,544	10	**7,707**
Trade payables and other liabilities	8	-	-	4,400	**4,408**
Financial instruments and financial liabilities[1]	385	39	-	4,769	**5,193**
Total	**3,992**	**2,593**	**1,544**	**9,179**	**17,308**
Net interest rate risk position	**(708)**	**(2,491)**	**(1,543)**	**2,436**	**(2,306)**
Effect of interest rate swaps	1,296	(586)	(710)	-	-
Net interest rate risk position (incl. IRS)[3]	**588**	**(3,077)**	**(2,253)**	**2,436**	**(2,306)**

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(2) Disregarding agreed interest rate swaps.
(3) Net interest rate risk position represents financial assets less financial liabilities plus effect of IRS. Positive net interest rate risk position means that increase in interest rates would cause lower net interest expense of the Group and vice versa.

Notional amounts of financial instruments are included in Note 27 – 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 millions of EUR

	2023 Profit (loss)	2023 Profit (loss)	2022 Profit (loss)	2022 Profit (loss)
Interest rate	*EURIBOR*	*SONIA*	*EURIBOR*	*SONIA*
Increase in interest rates by 1%	(22)	-	(13)	(3)
Decrease in interest rates by 1%	22	-	13	3

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

D FOREIGN EXCHANGE 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, CZK, USD and GBP.

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 notional 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 euro 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 2023 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	GBP	Other
Assets					
Cash and cash equivalents	125	7	17	4	6
Restricted cash	-	-	-	-	-
Trade receivables and other assets	5	3	45	57	42
Financial instruments and other financial assets	35	16	48	7	-
Total (A)	**165**	**26**	**110**	**68**	**48**
Off balance sheet assets (B)					
Receivables from forward exchange contracts	235	11	179	472	-
Total (B)	**235**	**11**	**179**	**472**	**-**
Liabilities					
Loans and borrowings	20	-	174	-	2
Trade payables and other liabilities	14	-	59	6	-
Financial instruments and financial liabilities	251	16	9	16	21
Total (C)	**285**	**16**	**242**	**22**	**23**
Off balance sheet liabilities (D)					
Payables related to forward exchange contracts	162	-	133	12	-
Total (D)	**162**	**-**	**133**	**12**	**-**
Net FX risk position (E) = (A - C)	**(120)**	**10**	**(132)**	**46**	**25**
Effect of forward exchange contracts (F) = (B - D)	73	11	46	460	-
Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk) (G) = (E + F)	**(47)**	**21**	**(86)**	**506**	**25**

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

As of 31 December 2022 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	GBP	Other
Assets					
Cash and cash equivalents	27	44	212	9	13
Restricted cash	-	-	-	-	-
Trade receivables and other assets	-	52	95	325	8
Financial instruments and other financial assets	43	13	110	55	2
Total (A)	**70**	**109**	**417**	**389**	**23**
Off balance sheet assets (B)					
Receivables from forward exchange contracts	593	21	340	45	-
Total (B)	**593**	**21**	**340**	**45**	**-**
Liabilities					
Loans and borrowings	14	-	157	259	-
Trade payables and other liabilities	12	-	343	22	-
Financial instruments and financial liabilities	11	69	14	242	1
Total (C)	**37**	**69**	**514**	**523**	**1**
Off balance sheet liabilities (D)					
Payables related to forward exchange contracts	156	-	133	91	10
Total (D)	**156**	**-**	**133**	**91**	**10**
Net FX risk position (E) = (A - C)	**33**	**40**	**(97)**	**(134)**	**22**
Effect of forward exchange contracts (F) = (B - D)	437	21	207	(46)	(10)
Effect of cash flow hedge of FX risk[(1)]	-	-	-	-	-
Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk) (G) = (E + F)	**470**	**61**	**110**	**(180)**	**12**

(1) The amount relates to a cash flow hedge recognized by the Group's entities in their standalone financial statements.

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

Off-balance sheet assets and liabilities include payables and receivables from forward exchange contracts (refer to Note 27 – Financial instruments).

The following significant exchange rates applied during the period:

EUR

	31 December 2023		31 December 2022	
EUR	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
CZK 1	0.04166	0.04045	0.04071	0.04147
GBP 1	1.14971	1.15068	1.17266	1.12748
USD 1	0.92484	0.90498	0.94962	0.93756

SENSITIVITY ANALYSIS

A strengthening (weakening) of the Euro, as indicated below, against the CZK, GBP, PLN and USD at the reporting date would have increased (decreased) net assets 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 millions of EUR

	2023 Profit (loss)	2022 Profit (loss)
CZK (5% strengthening of EUR)	6	2
GBP (5% strengthening of EUR)	(6)	7
USD (5% strengthening of EUR)	(3)	(6)

A weakening of the Euro against the above currencies 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 COMMODITY RISK

The Group is exposed to the risk of volatility and long-term changes in the prices of commodities or items that it generates, transports, distributes or uses for its operations, mainly power, gas, coal, biomass, heat and emission allowances, both on the supply and the demand side. This volatility and changes may result from many factors, including, among other things, weather conditions, seasonality, changes in the prices of primary or alternative fuels, transmission or transportation constraints, global economic conditions and geopolitical developments, price and availability of alternative energy sources, the development of renewable energy sources and state subsidies for them, changes in generation efficiencies or changes in production levels and storage costs of gas, coal and various other factors outside of the Group's control. In particular, such volatility and changes may adversely affect margins and spreads that the Group realizes in its operations.

Price fluctuations are particularly significant when there is either a major shortage or substantial excess in the wholesale energy markets. While the Group can profit from situations of major shortage or substantial excess in the wholesale energy markets, there is a risk that high volatility combined with any shortage of products or lack of liquidity could limit the Group's ability to reduce its exposure to risk in the energy markets quickly and efficiently. The Group seeks to limit the risk of commodity price fluctuations using margined, partially margined and non-margined hedging through forward contracts, swaps and other types of derivatives. Commodity derivatives consist primarily of forward contracts for the purchase or sale of power, gas and emission allowances, which are used to hedge the commodity price primarily for power generating companies, as well as gas-related activities.

The Group manages the commodity price risks associated with its proprietary trading activities by generally trading on a back-to-back basis, i.e., purchasing from the market where it has a customer in place to purchase the commodity.

SENSITIVITY ANALYSIS

A 5% change in the market price of the natural gas would have impact on the fair value of cash flow hedging derivatives of EUR 4 million (2022: EUR 11 million).

A 5% change in the market price of the electricity would have impact on the fair value of cash flow hedging derivatives of negative EUR 3 million (2022: negative EUR 10 million).

A change in the market price of electricity of 1 EUR/MWh would have decreased or increased revenues from sales of electricity by EUR 36 million (2022: EUR 37 million). This analysis assumes that all other variables, in particular gas prices and emission rights prices, remain constant.

F REGULATORY RISK

The Group is exposed to risks resulting from the state regulation of electricity, gas and heat industries and by a wide range of changing environmental, heritage, health and safety and other requirements in the Slovak Republic, the Czech Republic, Italy, the United Kingdom, Germany, Ireland, France, the Netherlands, Switzerland and the EU, including those governing the discharge and emission of pollutants (such as the recently published best available techniques for large combustion plants on the basis of Industrial Emissions Directive). Changes to existing regulations or the adoption of other new regulations may have an adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

The price regulation in the Slovak Republic is carried out by the Slovak Regulatory Office for Network Industries ("RONI") in accordance with Act No. 250/2012 Coll., on Regulation in Network Industries, and the implementing legislation issued by RONI for the current regulatory period started on 1 January 2023 and ending on 31 December 2027.

Electricity industry price regulation is regulated by RONI's Decrees No. 246/2023 Coll. and No. 107/2023 Coll. The maximum price for access to the distribution network and electricity distribution reflects electricity distribution and electricity transmission, including losses incurred

Risk management policies and disclosures

during electricity transmission, and is denominated in euro per unit of electricity distributed to end consumers in the relevant year. Electricity prices for vulnerable customers, including households and small enterprises, are regulated by providing a capped profit margin per MWh.

Slovak law provides for the designation of a supplier of last resort in the electricity sector that must supply electricity to a customer whose original electricity supplier has lost its ability to supply electricity. The supply of electricity by the supplier of last resort is subject to price regulation and the supplier of last resort is designated by RONI on the basis of a tender published by RONI. SSE is currently designated as a supplier of last resort for the area of central Slovak Republic.

Gas price regulation is regulated by RONI's Decrees No. 450/2022 Coll. and No. 451/2022 Coll. The regulated prices for access to the distribution system and gas distribution are charged by the gas DSO (distribution system operator) to gas suppliers who then pass the prices to their end-customers. Gas prices for vulnerable customers, including households and small enterprises, are regulated by providing a capped profit margin per MWh.

The gas transmission tariffs applicable to eustream are primarily regulated by Commission Regulation 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (network code on harmonised tariffs), in combination with national legislation. RONI issued a decision implementing the rules of the network code, setting the reference price methodology including reference prices applicable for entry/exit points with EU Member States. Benchmarking of tariffs is used as the secondary adjustment of the reference prices calculated on the cost base principles.

Under the rules on crisis regulation, the Slovak Government is empowered to implement price regulation which will prevail over the applicable RONI's pricing decisions. For 2024, the Slovak Government adopted (i) Regulation No. 463/2023 Coll. determining the maximum prices for part of regulated electricity and gas supply for selected vulnerable customers, including households and small enterprises and (ii) Regulation No. 472/2023 Coll. determining the amounts of tariffs for final gas and electricity customers. The regulations, among other things, introduced for 2024 price caps on electricity and gas prices for selected vulnerable customers at the level of 2023 prices. They further impose price caps on selected tariffs for the transmission and distribution of electricity and gas to ensure the same level of the regulated component of the electricity and gas prices for all groups of final electricity and gas customers in 2024 as compared to 2023. The regulations also govern the respective compensation mechanisms of suppliers, TSOs (transmission system operators) and DSOs for the differences accrued, with compensations paid out on a monthly basis.

In reaction to the energy crisis, the Czech Government decided to fix the prices of electricity and gas for certain customers. The prices of electricity and gas were capped by Regulation No. 298/2022 Coll. for the entire year 2023 by setting primarily (i) the maximum price which may be charged by a supplier, (ii) categories of customers to whom the maximum prices apply; and (iii) part of the consumption which is covered by the price cap (if applicable to a specific customer group). Prices were capped for the entire period of 2023 at CZK 2,500 per MWh of gas and CZK 5,000 per MWh of electricity, excluding VAT and regulated charges. Where prices at the fixed level did not cover the justified costs of a supplier, the supplier was entitled to reimbursement of the evidenced loss incurred due to the supply of electricity or gas at the fixed price and a reasonable profit. While these price caps no longer apply in 2024, the Government could reintroduce a similar mechanism should the extraordinary market condition reappear.

In late 2022, a windfall tax was introduced as an amendment to Act No. 586/1992 Coll., the Act on Income Tax, targeting companies in the energy and banking sectors with a tax on surplus profits resulting from the energy crisis. The proceeds of the tax are intended to cover the cost of price caps on electricity and gas customers. The tax period is set to be the calendar years 2023 to 2025 and the tax rate is 60% on top of the regular tax rate, i.e., a tax rate of 79% in total is to be applied on the extra profits. The windfall tax in the energy sector covers entities engaged in power generation except for combined heat and power generation where the ratio of produced power and heat does not exceed a coefficient of 4.4, a condition fulfilled by all heating plants operated by EPH Group. Within the Group, EP Commodities, a.s., EP ENERGY TRADING, a.s. and Dobrá Energie s.r.o. are subject to the windfall tax. The effect of the windfall tax arising from renewable generation sources, such as wind and solar, was immaterial during the reported period from the Group perspective.

The European energy market has been affected by a continuous increase in power generation from renewables and a decline in electricity production in conventional coal-fired and nuclear power plants. This creates uncertainty as to whether there will be sufficient power generation capacity in the coming years. The EPH Group believes that conventional power production is necessary to ensure security of electricity supply in the European market, in particular in view of the latest events on energy market and variable nature of power generation from renewables.

The latest energy crises proved that European governments can introduce new regulation to tackle unexpected market situations as happened in 2022. Those can range from extraordinary taxation of profits to capping the revenue that comes from sale of power from selected types of power plants. Changes or extensions of such regulations can affect the Group's operational and financial performance.

Particularly given the need for safeguarding security of electricity supply, the EU Member States have introduced capacity remuneration mechanisms aimed to overcome the market and regulatory inefficiency, mainly the fact that at times of power shortage, energy markets are incapable of offering a sufficiently high price for power generation. This inefficiency has increased as it is precisely renewable sources that have almost zero variable costs.

In particular, the risk of price uncertainty in future auction rounds, the risk of market failures, changes in market parameters, and the risk of abolition of the market are associated with capacity markets. These risks might adversely affect the Group's business, financial position, economic performance, cash flows and prospects.

FRANCE

French Government introduced regulation in response to increasing power prices for period until the end of 2023. This regulation caps revenue from power production for all types of technology except hard coal. Revenue cap is based on allowed margin for each type of source (allowed margin plus CO_2 allowances plus fuel cost). If similar regulation is approved in future again, decrease of allowed margin or including hard coal power plants might adversely affect Group's performance in future.

GERMANY

Germany as a reaction to spiking energy prices introduced revenue cap on power produced from lignite until June 2023 and taxation of extraordinary profit in 2022 (windfall tax). Revenue cap is set as allowed margin plus 1.236x of CO_2 allowance price. Approval of similar regulation in future might negatively influence Group's performance.

THE UK

Renewable power generation of Lynemouth biomass powerplant in the UK is awarded by the contract for difference until 2027, which secures a stable level of revenues by earning payment for difference between market and agreed strike price.

Post Brexit, a new UK ETS trading scheme has been introduced in the UK, replacing the EU ETS on 1 January 2021 to ensure continued decarbonisation of the UK economy. UK ETS has set initial cap 5% below the UK's notional share of EU ETS for Phase IV. During first allocation period (2021–2025) the annual cap is to decline by 4.2mt per year.

The UK ETS trading scheme had initially set a price cap approximately at the current price level of European emission allowances until the actual trading commenced, which happened in the course of 2021. During 2021, UK ETS market participants continuously switched from use of EU ETS as a proxy to UK ETS as liquidity on the market was developing.

ITALY

The 2019 Energy and Climate National Package (so called "Piano Nazionale Integrato per l'Energia e il Clima"or "PNIEC"), which was approved by the Italian Government and published in January 2020, provides, among other issues, for the phase-out of coal-fired power generation by 2025 in the country.

More recently, in the Italy adequacy report, Terna has clarified that in order to solve the criticalities in Sardinia and to allow the disposal of coal plants, it will be necessary to realize, in addition to the new Tyrhenian Link connection, a new capacity for about 550 MW of new programmable capacity distributed appropriately on the island. With reference to the Tyrhenian Link, Terna reported that the investment will be completed in 2028 and that the divestiture of the island's coal generation can therefore take place progressively as the new resources enter into service.

Consequently, these declarations impact the future of Fiume Santo power plant, which operation is considered as technically critical to provide stability of power supply on the island. Currently, Fiume Santo is operated under a "must run" regime allowing full cost recovery by 2026 (under certain conditions).

As a reaction to energy crisis, Italian Government introduced a price cap on power production revenue on several types of power plants including biomass combusting power plants from December 2022 until June 2023 as well as taxation of extraordinary profits achieved by energy companies in 2022 by additional 50% tax rate.

Further, the 2023 budget law, which transposed, with amendments, the provisions contained in European Regulation No. 2022/1854, provided for emergency interventions to deal with high energy prices. In particular, a cap on revenues of 180 EUR/MWh has been set in relation to the sales of electricity made by producers with low marginal costs (the so-called inframarginal technologies). As regards producers using technologies with higher costs than the cap of 180 EUR/MWh, including those using solid or gaseous biomass, the cap, for each technology, will be established on the basis of criteria that will be defined by the Energy Authority (ARERA), taking into account investment and operating costs and a fair return on investments. These measures, which are temporary and extraordinary in nature, are in place from the same period from 1 December 2022 to 30 June 2023.

EU EMISSION TRADING SYSTEM

Despite all the EPH Group's continuous efforts in the area of environmental sustainability, emission allowances represent a significant cost item and emission allowance's price affects substantially economic performance of the Group. In order to achieve environmental benefits, the EU legislation established a system of trading with emission allowances according to the Kyoto Protocol. The international market for CO_2 emission allowances is driven by the EU Emissions Trading System (ETS). EU ETS ended its Phase III, which began on 1 January 2013 and ended on 31 December 2020. Within the Phase IV (2021–2030), the overall number of emission allowances was to decline at an annual rate of 2.20 per cent from 2021 onwards. Energy intensive sectors with a high risk of relocation outside of the EU were to be allocated free allowances until 2030 at 100 per cent.

However, in December 2022, European parliament and Council of Ministers agreed on the reform of the ETS, which will become effective from 1 January 2024. This reform was formally adopted by EU on 25 April 2023, when last step in the approval process was taken. Based on this agreement, the greenhouse gas emissions are to be reduced by 62% by 2030 as compared to 2005 (previous target was by 43%). As result, a 4.3% linear decrease in period 2024–2027 and 4.4% linear decrease in period 2028–2030 in the number of EUAs auctioned annually will be implemented. In addition, annually 24% of the surplus certificates in circulations will be held back in market stability reserve until 2030, while previous legislation expected decrease of the rate to 12% in 2024.

From January 2024, the EU ETS also covers the shipping sector, with emissions from maritime transport being subject to the same cap-and-trade principles as other industries covered by the EU ETS. In 2024, the system starts by covering 40% of emissions from eligible vessels, with the coverage increasing to 70% in 2025 and 100% by 2026. At the same time, 2024 will also start to see free allowances for the aviation sector to be phased out. Free allowances will be reduced by 25% in 2024 and 50% in 2025 while the industry will have to pay for 100% of their emissions from 2026.

However, energy crises in 2022 and increasing power prices triggered action from European Commission that decided to front load sales of allowances that were scheduled to be auctioned between 2027–2030 to before 31 August 2026 to raise around 40% of planned EUR 20 billion.

Together with the increase of non-thermal production in EU (mainly French nuclear fleet) and decreasing power demand from industry, we were witnessing decreasing price of EUA in 2023. If prices are to increase again and it is not reflected in power prices, it might have a negative impact on the Group.

G CONCENTRATION RISK

Major part of gas transmission, gas and power distribution and gas storage revenues, which are primarily recognised by SPPI Group and Stredoslovenská distribučná, a.s., are concentrated to a small number of customers. This is caused by the nature of business which has high barriers of entry. At the same time, majority of these revenues is subject to regulation as well as recognised under long-term contracts, often under "take or pay" schemes which limit the volatility of revenues year-on-year. From the credit risk perspectives, the counterparties are typically high-profile entities which are dependent on the supplied service which naturally limits the present credit risk.

H 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 monitors its net leverage, defined as net financial debt divided by underlying EBITDA. The Group's net leverage at the end of the reporting period was as follows:

In millions of EUR

	31 December 2023	31 December 2022
Loans and borrowings	8,330	7,707
Issued bills of exchange	-	213
Less: cash and cash equivalents	3,502	3,010
Net financial debt(1)	**4,828**	**4,910**
Underlying EBITDA(2)	3,587	4,346
Net leverage	**1.3**	**1.1**

(1) Net financial debt = Loans and borrowings + Issued bills of exchange – Cash and cash equivalents.
(2) For definition of Underlying EBITDA and its reconciliation to the closest IFRS measure, refer to Note 5 – Operating segments.

I HEDGE ACCOUNTING

CASH FLOW HEDGE

The balance as at 31 December 2023 represents primarily derivative agreements to hedge on interest rate, foreign exchange rate, electricity price, gas price, emission allowances price, coal price and the effect from a cash flow hedge recognised on the EPH Group level.

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity.

During the period the Group reclassified EUR 27 million (positive impact on profit or loss) from hedging reserves to profit or loss (2022: EUR 341 million (negative impact on profit or loss)).

The following table provides a reconciliation of amounts recorded in equity attributable to owners of the Company by category of hedging instrument:

In millions of EUR

	Commodity derivatives – cash flow hedge[1]	Interest rate swaps – cash flow hedge	Currency forwards – cash flow hedge[2]	Equity accounted investees – cash flow hedge	Total
Balance at 1 January 2023	**115**	**(18)**	**156**	**(389)**	**(136)**
Cash flow hedges reclassified to profit or loss	39	(17)	(49)	-	**(27)**
Deferred tax – cash flow hedges reclassified to profit or loss	(7)	3	12	-	**8**
Revaluation of cash flow hedges	77	(2)	(2)	-	**73**
Deferred tax – cash flow hedges revaluation	(59)	1	1	-	**(57)**
Changes in hedging reserves recognized by equity accounted investees	-	-	-	442	**442**
Hedging reserve of equity accounted investees reclassified to profit or loss on disposal, net of tax	-	-	-	53	**53**
Balance at 31 December 2023	**165**	**(33)**	**118**	**106**	**356**

(1) Including also hedge of foreign currency risk.
(2) As at 31 December 2023 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2023 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

In millions of EUR

	Commodity derivatives – cash flow hedge[1]	Interest rate swaps – cash flow hedge	Currency forwards – cash flow hedge[2]	Equity accounted investees – cash flow hedge	Total
Balance at 1 January 2022	**(359)**	**(89)**	**90**	**163**	**(195)**
Effect from change of functional currency	6	-	-	(4)	**2**
Cash flow hedges reclassified to profit or loss	176	78	87	-	**341**
Deferred tax – cash flow hedges reclassified to profit or loss	(46)	(15)	(21)	-	**(82)**
Revaluation of cash flow hedges	327	10	-	-	**337**
Deferred tax – cash flow hedges revaluation	11	(2)	-	-	**9**
Changes in hedging reserves recognized by equity accounted investees	-	-	-	(548)	**(548)**
Balance at 31 December 2022	**115**	**(18)**	**156**	**(389)**	**(136)**

(1) Including also hedge of foreign currency risk.
(2) As at 31 December 2022 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2022 and currency forwards that were already derecognised in prior periods. The Group concluded that the future hedged cash flows are still highly probable, therefore the revaluation is retained in equity until the hedged forecast transaction occurs.

Share of non-controlling interest on hedging reserve amounted to negative EUR 6 million (2022: negative EUR 227 million). Share of non-controlling interest on effective changes in fair value of cash flow hedges, net of tax, and reclassification of cash flow hedges to profit or loss amounted to positive EUR 221 million (2022: positive EUR 84 million).

CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK AND COMMODITY PRICE RISK OF REVENUES OF POWER PRODUCTION WITH FINANCIAL DERIVATIVES

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to or commodities purchased from the third parties. This includes commodity derivatives with net settlement for commodity risk. As a result of the hedge relationship on the Group level, the Group recorded a change in cash flow hedge reserve of positive EUR 136 million (2022: negative EUR 93 million). For risk management policies, refer to Note 31(d) and (e) – Risk management policies and disclosures.

CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF GAS AND COAL

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales and purchases of gas and coal. The hedging instruments are commodity swaps concluded with third parties to hedge selling price of gas in-kind or coal sold and purchase price of gas and coal purchased. The hedged items are proportions of expected cash outflows or inflows for commodities purchased or sold that are expected to occur and impact profit or loss in 2023 till 2024. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of positive EUR 105 million (2022: positive EUR 117 million).

CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF EMISSION ALLOWANCES

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from purchase of emission allowances in UK and EU. The hedging instruments are commodity swaps concluded with third parties to hedge purchase price of emission allowances needed to cover the production. The hedged items are proportions of expected cash outflows for emission allowances purchased that are expected to occur and impact profit or loss in 2024 till 2025. As a result of the hedge relationship on the Group level, the Group recorded a change in a cash flow hedge reserve of negative EUR 190 million (2022: positive EUR 444 million).

The following tables provide details of cash flow hedge commodity derivatives gas, power, emission allowances and coal for commodity price risk recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

	31 December 2023			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	287	88	967	668
3 months to 1 year	392	479	1,179	1,263
1–5 years	47	41	187	181
Over 5 years	-	-	-	-
Total	**726**	**608**	**2,333**	**2,112**

In millions of EUR

	31 December 2022			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	497	429	2,252	2,097
3 months to 1 year	434	685	1,413	1,526
1–5 years	-	41	2	14
Over 5 years	-	-	-	-
Total	**931**	**1,155**	**3,667**	**3,637**

The following tables provide details of cash flow hedge currency derivatives recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

	31 December 2023			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	-	-
3 months to 1 year	-	1	38	36
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	**-**	**1**	**38**	**36**

In millions of EUR

	31 December 2022			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	1	14	14
3 months to 1 year	-	4	140	148
1–5 years	-	2	46	49
Over 5 years	-	-	-	-
Total	**-**	**7**	**200**	**211**

CASH FLOW HEDGES – HEDGE OF INTEREST RATE RISK

The Group applies hedge accounting for hedging instruments designed to hedge interest rate risk of its debt financing. The hedging instruments are interest rate swaps used in order to hedge risk related to repricing of interest rates on its financing. As a result of the hedge relationship on the Group level, the Group recorded a change in interest rate cash flow hedge reserve of negative EUR 16 million (2022: EUR 71 million). For risk management policies, refer to Note 31(c) – Risk management policies and disclosures.

The following tables provide details of cash flow hedge interest rate swaps recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

	31 December 2023			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	-	-
3 months to 1 year	2	-	82	80
1–5 years	1	1	1	1
Over 5 years	-	-	-	-
Total	**3**	**1**	**83**	**81**

In millions of EUR

	31 December 2022			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	1	-	20	19
3 months to 1 year	3	-	60	57
1–5 years	5	-	-	-
Over 5 years	-	-	-	-
Total	**9**	**-**	**80**	**76**

CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK WITH FINANCIAL DERIVATIVES

The Group applies hedge accounting for hedging instruments designed to hedge the foreign currency risk cash-flows from biomass purchases denominated in foreign currencies (USD and CAD). The hedging instruments are foreign currency forwards concluded with third parties. Although some of the derivatives were unwound, the hedging is still in place as the hedged items are still expected to materialize. The hedged items are proportions of expected cash outflows in USD and CAD that are expected to occur and impact profit or loss in periods of 2024 to 2027. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in foreign currency cash flow hedge reserve of negative EUR 38 million (2022: positive EUR 66 million). For risk management policies, refer to Note 31(d) and (e) – Risk management policies and disclosures.

The following table provides details of cash flow hedge currency derivatives for foreign currency risk recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

	31 December 2023			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	2	162	163
3 months to 1 year	2	-	382	380
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	**2**	**2**	**544**	**543**

In millions of EUR

	31 December 2022			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	30	30
3 months to 1 year	-	-	-	-
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	**-**	**-**	**30**	**30**

CASH FLOW HEDGES – EQUITY ACCOUNTED INVESTEES

Equity accounted investee Slovenské elektrárne, a.s. applies hedge accounting to hedge exchange rate risk, interest rate risk and electricity price. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in cash flow hedge reserve of positive EUR 459 million (2022: negative EUR 83 million) As the hedge accounting is applied by equity accounted investee, the hedging derivatives are not recognised on Group's consolidated statement of financial position.

The joint venture LEAG group applies hedge accounting for commodity hedging instruments designed to hedge cash-flows to purchase emission rights. The hedging instruments are commodity derivatives designed to hedge purchase price for future purchases of emission rights. As a result of the hedge relationship, on the Group consolidated level, the Group reported a change in a cash flow hedge reserve of negative EUR 17 million during the six-month period ended 30 June 2023 (2022: negative EUR 465 million). From 30 June 2023, the Group ceased to apply equity method as joint venture LEAG was classified under assets held for sale. With the subsequent disposal of LEAG in the second half of 2023, the Group reclassified hedging reserve of negative EUR 53 million into profit or loss.

32. Related parties

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

The balances with related parties as at 31 December 2023 and 31 December 2022 were as follows:

In millions of EUR

	Trade receivables and other financial assets	Trade payables and other financial liabilities	Trade receivables and other financial assets	Trade payables and other financial liabilities
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Companies controlled by ultimate shareholder(1)	74	1,109	6	1
Associates and joint ventures	105	-	150	184
Other related parties	-	107	-	1
Total	**179**	**1,216**	**156**	**186**

(1) Daniel Křetínský represents the ultimate shareholder.

The summary of transactions with related parties during the years ended 31 December 2023 and 31 December 2022 was as follows:

In millions of EUR

	Revenues and other income 2023	Expenses 2023	Revenues and other income 2022	Expenses 2022
Companies controlled by ultimate shareholder(1)	236	2,605	191	5
Associates and joint ventures	1,252	1,376	1,597	2,939
Other related parties	1	12	139	2
Total	**1,489**	**3,993**	**1,927**	**2,946**

(1) Daniel Křetínský represents the ultimate shareholder.

TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

For the financial years ended 31 December 2023 and 2022 the EPH Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Infrastructure, a.s., Stredoslovenská energetika Holding, a.s. and its major subsidiaries, SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, POZAGAS, a.s., Elektrárny Opatovice, a.s., EOP Distribuce a.s., United Energy, a.s., Plzeňská teplárenská, a.s., SPP Storage, s.r.o., EP ENERGY TRADING, a.s, EP Power Europe, a.s., EPUKI Group, EP Commodities, a.s., EP Commodities AG, EP Resources AG, EP Produzione

Group, EPNEI Group, EP NL Group, MIBRAG Energy Group, Saale Energie, Kraftwerk Mehrum GmbH, EP France Group, EP Power Minerals Group, EP Investment Advisors, s.r.o. and Energetický a průmyslový holding, a.s.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

In millions of EUR

	2023	2022
Nr. of personnel	127	115
Compensation, fees and rewards	22	21
Compulsory social security contributions	4	4
Total	**26**	**25**

Other remuneration of Group management (management of all components within the Group) is included in Note 10 – Personnel expenses. All transactions were performed under the arm's length principle.

33. Litigations and claims

BIOMASSE ITALIA S.P.A. AND BIOMASSE CROTONE S.P.A.

A criminal investigation in connection with which certain former directors of Biomasse Italia S.p.A. and Biomasse Crotone S.p.A. as well as an employee of the company Biomasse Italia S.p.A. was closed and the trial phase started. Further to the closing of the investigation, the proceeding no longer includes the two former directors of the company. However, the employee of Biomasse Italia S.p.A was included. The companies were not subject to any investigation. Based on the information received so far, there are no elements which could indicate that criminal proceedings could be brought against the companies or that proceedings potentially affecting the companies' assets could be initiated. The Group will continue to monitor the progress of the case.

EP RESOURCES AG ("EPR AG")

An arbitration is pending between EPR AG and a Russian supplier regarding the alleged breach by EPR AG of five coal supply contracts following international sanctions imposed on Russia in March 2022 due to the invasion of Ukraine. The supplier claimed damages amounting to USD 221 million for non-performance of the contracts. The arbitration started in January 2023 (letter before claim was sent on 30 December 2022) and the claimant made the submission of claims on 31 March 2023. EPR AG submitted its defence in June 2023 and denied the claim in full. The analysis carried out by EPR's legal representatives, supported by the opinion of several EU regulatory authorities as well as renowned legal experts concluded that international sanctions prevented EPR AG to perform since the performance of the contracts would result in making resources available to sanctioned individuals and/or in other breach of relevant sanctions regimes. It is not possible to predict the exact outcome of the arbitration at this stage of the proceedings, however based on the legal analysis EPR strongly believes that the sanctions in place prevented the company from off-taking the five coal contracts from the Russian supplier and that the claim as a whole will be dismissed. In September 2023, the claimant initiated another arbitration regarding the same contracts and the same amount only this time adding a bank to which the contracts were assigned to (as a security) as a respondent. EPR AG believes the claimant cannot initiate the second arbitration regarding the same claim while the first one is still pending and expects that the proceedings will be terminated by the tribunal.

In July 2023 another Russian coal supplier asked EPR AG to pay damages amounting to USD 44 million for not off taking the coal per the framework supply contract. EPR AG denied this claim in full since it believes (as in the aforementioned case) that the international sanctions prevented the performance of the framework contract. Although the coal supplier expressed his willingness to start an arbitration if the claim was not satisfied, as of this date the arbitration has not yet commenced.

Since EPR AG views all claims as unsubstantiated no provision was recorded as of 31 December 2023.

34. Subsequent events

EPIF has raised EUR 285 million through Schuldschein loan agreements under German law issued in line with EPIF's green principles (so called "green Schuldschein"). The floating rate Schuldschein loan agreements have durations of three and five years. EPIF aims to allocate the proceeds from the Schuldschein loan agreements in accordance with its Green Finance Framework established in August 2023.

In March 2024, EP Centrale Ostiglia S.p.A. signed a new EUR 320 million project finance facility. This financing will cover costs incurred in relation to construction of a new 881 MW CCGT power plant in Italy.

On 15 March 2024, EPH declared and paid interim dividend of EUR 390 million to its shareholders (dividend declared per share was EUR 97.5).

The Group has ceased operations at three coal units as a part of its commitment to a sustainable future without coal. On 26 March 2024, the remaining two units of the Slovak coal-fired power plant Vojany (with an installed capacity of 2×110 MW) were shut down. Subsequently, on 28 March 2024, the closure of the German hard coal power plant Mehrum (690 MW) was finalized. Collectively, this marks a significant milestone in the Group's journey, with a total installed capacity of 910 MW being retired. The decommissioning of these coal power plants underscores the Group's commitment to transforming towards sustainable electricity production.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2023.

APPENDICES*:

Appendix 1 – Business combinations

Appendix 2 – Group entities

* Information contained in the appendices form part of the complete set of these consolidated financial statements.

Date:	Signature of the authorised representative	
8 April 2024	JUDr. Daniel Křetínský Chairman of the board of directors	Mgr. Pavel Horský Member of the board of directors

Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as at the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

EFFECT OF ACQUISITIONS

I. 31 DECEMBER 2023

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Rijnmond Power Holding B.V. are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2023 Total(1)
Property, plant, equipment, land, buildings	20	(2)	18
Trade receivables and other assets	6	-	6
Inventories	1	-	1
Cash and cash equivalents	20	-	20
Deferred tax assets	4	-	4
Provisions	**(9)**	**-**	(9)
Loans and borrowings	(7)	-	(7)
Trade payables and other liabilities	(31)	-	(31)
Net identifiable assets and liabilities	**4**	**(2)**	**2**
Goodwill on acquisitions of subsidiaries			10
Cost of acquisition			**12**
Consideration paid, satisfied in cash (A)			12
Total consideration transferred			12
Less: Cash acquired (B)			20
Net cash inflow (outflow) (C) = (B – A)			**8**

(1) Represents values at 100% share.

In millions of EUR

	2023 Total
Revenue of the acquirees recognised since the acquisition date*	152
Profit (loss) of the acquirees recognised since the acquisition date*	(3)

In millions of EUR

	2023 Total
Revenue of the acquirees recognised in the year ended 31 December 2023*	152
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	(3)

* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date PZEM and Sloe Group are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2023 Total(1)
Property, plant, equipment, land, buildings	367	(127)	240
Intangible assets	4	(2)	2
Trade receivables and other assets	791	-	791
Financial instruments and other financial assets	382	-	382
Inventories	30	-	30
Cash and cash equivalents	127	-	127
Deferred tax assets	60	33	93
Provisions	(81)	-	(81)
Deferred tax liabilities	(2)	-	(2)
Loans and borrowings	(573)	-	(573)
Financial instruments and other financial liabilities	(552)	-	(552)
Trade payables and other liabilities	(148)	-	(148)
Net identifiable assets and liabilities	**405**	**(96)**	**309**
Goodwill on acquisitions of subsidiaries			2
Cost of acquisition			**311**
Consideration paid, satisfied in cash (A)			311
Total consideration transferred			**311**
Less: Cash acquired (B)			127
Net cash inflow (outflow) (C) = (B – A)			**(184)**

(1) Represents values at 100% share.

In millions of EUR

	2023 Total
Revenue of the acquirees recognised since the acquisition date*	1,752
Profit (loss) of the acquirees recognised since the acquisition date*	200

In millions of EUR

	2023 Total
Revenue of the acquirees recognised in the year ended 31 December 2023*	1,752
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	200

* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of MaasStroom Energie C.V. are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2023 Total(1)
Property, plant, equipment, land, buildings	42	129	171
Trade receivables and other assets	17	-	17
Inventories	5	-	5
Cash and cash equivalents	9	-	9
Provisions	(14)	-	(14)
Deferred tax liabilities	(10)	(24)	(34)
Loans and borrowings	(39)	-	(39)
Trade payables and other liabilities	(50)	27	(23)
Net identifiable assets and liabilities	**(40)**	**132**	**92**
Goodwill on acquisitions of subsidiaries			-
Cost of acquisition			**92**
Consideration paid, satisfied in cash (A)			92
Total consideration transferred			**92**
Less: Cash acquired (B)			9
Net cash inflow (outflow) (C) = (B – A)			**(83)**

(1) Represents values at 100% share.

Appendix 1 – Business combinations

In millions of EUR

	2023 Total
Revenue of the acquirees recognised since the acquisition date*	10
Profit (loss) of the acquirees recognised since the acquisition date*	(4)

In millions of EUR

	2023 Total
Revenue of the acquirees recognised in the year ended 31 December 2023*	24
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	(10)

* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Enecogen V.O.F.are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2023 Total(1)
Property, plant, equipment, land, buildings	196	47	243
Intangible assets	11	-	11
Trade receivables and other assets	34	(27)	7
Financial instruments and other financial assets	6	-	6
Cash and cash equivalents	12	-	12
Deferred tax assets	4	-	4
Provisions	(12)	-	(12)
Deferred tax liabilities	(7)	(5)	(12)
Loans and borrowings	(7)	-	(7)
Trade payables and other liabilities	(42)	-	(42)
Net identifiable assets and liabilities	**195**	**15**	**210**
Goodwill on acquisitions of subsidiaries/joint operations			1
Cost of acquisition			**211**
Consideration paid, satisfied in cash (A)			211
Total consideration transferred			**211**
Less: Cash acquired (B)			12
Net cash inflow (outflow) (C) = (B – A)			**(199)**

(1) Represents values at 100% and values at 50% share for joint operation Enecogen V.O.F.

In millions of EUR

	2023 Total
Revenue of the acquirees recognised since the acquisition date*	40
Profit (loss) of the acquirees recognised since the acquisition date*	16

In millions of EUR

	2023 Total
Revenue of the acquirees recognised in the year ended 31 December 2023*	140
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	45

* Before intercompany eliminations with other Group companies.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of SGL – Schienen Güter Logistik GmbH are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2023 Total(1)
Property, plant, equipment, land, buildings	1	-	1
Trade receivables and other assets	4	-	4
Cash and cash equivalents	3	-	3
Provisions	(1)	-	(1)
Trade payables and other liabilities	(3)	-	(3)
Net identifiable assets and liabilities	**4**	**-**	**4**
Negative goodwill on acquisitions of subsidiaries			(3)
Cost of acquisition			**1**
Consideration paid, satisfied in cash (A)			1
Total consideration transferred			**1**
Less: Cash acquired (B)			3
Net cash inflow (outflow) (C) = (B – A)			**2**

(1) Represents values at 100% share.

Appendix 1 – Business combinations

In millions of EUR

	2023 Total
Revenue of the acquirees recognised since the acquisition date	3
Profit (loss) of the acquirees recognised since the acquisition date	-

In millions of EUR

	2023 Total
Revenue of the acquirees recognised in the year ended 31 December 2023*	23
Profit (loss) of the acquirees recognised in the year ended 31 December 2023*	1

* Before intercompany elimination; based on local statutory financial information.

Appendix 2 – Group entities

The list of the Group entities as at 31 December 2023 and 31 December 2022 is set out below:

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Energetický a průmyslový holding, a.s.	Czech Republic	-	-	-	-	-	-
EP Power Europe, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EPPE Germany, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Lausitz Energie Kraftwerke AG(1)	Germany	-	-	10	Direct	-	Equity
Lausitz Energie Bergbau AG(1)	Germany	-	-	10	Direct	-	Equity
LEAG Holding, a.s.*(1)	Czech Republic	-	-	50	Direct	-	Equity
Lausitz Energie Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Kraftwerke AG	Germany	-	-	80	Direct	-	Equity
Kraftwerk Schwarze Pumpe GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Bergbau AG	Germany	-	-	80	Direct	-	Equity
GMB GmbH	Germany	-	-	100	Direct	-	Equity
Transport- und Speditionsgesellschaft Schwarze Pumpe mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Verwaltungsgesellschaft Brandenburg mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
Holzkontor und Pelletierwerk Schwedt GmbH	Germany	-	-	100	Direct	-	Equity
Propell GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LandWerte Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
LE Erneuerbare Energien Sachsen Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	-	-	100	Direct	-	Equity

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Lausitz Energie PV Zschornewitz GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
EVA Verwaltungs GmbH	Germany	-	-	50	Direct	-	At cost
EVA Jänschwalde GmbH & Co. KG	Germany	-	-	50	Direct	-	Equity
Gaskraftwerk Leipheim GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
Gaskraftwerk Leipheim Verwaltungs GmbH	Germany	-	-	100	Direct	-	Equity
PV Böhlen GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
SERO LAUSITZ GmbH	Germany	-	-	100	Direct	-	Equity
MCR Engineering Lausitz GmbH	Germany	-	-	100	Direct	-	Equity
energy cubes GmbH	Germany	-	-	100	Direct	-	Equity
LandWerte Immobilien & Entwicklung GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEFPV Cottbuser Ostsee GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEPV Energiepark Bohrau GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEPV Boxberg GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEPV Jänschwalde GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
LEWP Forst Briesnig 2 GmbH & Co. KG	Germany	-	-	100	Direct	-	Equity
EP New Energies GmbH	Germany	-	-	20	Direct	Consolidated	Consolidated
EP New Energy Italia S.r.l.	Italy	-	Direct	49	Direct	Consolidated	Consolidated
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
Sunrise HoldCo GmbH	Germany	-	-	-	-	-	-
Sunrise BidCo GmbH(2)	Germany	-	-	-	-	At cost	-
EP New Energies GmbH	Germany	80	Direct	80	Direct	Consolidated	Consolidated
EP Mehrum GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Mehrum GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Energy Group GmbH (JTSD – Braunkohlebergbau GmbH)(3)	Germany	90	Direct	90	Direct	Consolidated	Consolidated

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
MIBRAG GmbH (Mitteldeutsche Braunkohlen Gesellschaft mbH)[4]	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Consolidated	Consolidated
MITAFF GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	50	Direct	50	Direct	At cost	At cost
WP Helmstedter Revier I GmbH (Zukunft II GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Geo!D GmbH (BHKW Profen GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH[5]	Germany	-	-	50	Direct	-	At cost
Groitzscher Wohnwelt GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MINCA GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MCS GmbH (Zukunft XIII GmbH)[6]	Germany	50	Direct	-	-	At cost	At cost
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH	Germany	30.5	Direct	30.5	Direct	Consolidated	Consolidated
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Consolidated	Consolidated
MITAFF GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	50	Direct	50	Direct	At cost	At cost

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Windpark Profen II GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	50	Direct	50	Direct	At cost	At cost
WP Helmstedter Revier I GmbH (Zukunft II GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Goe!D GmbH(BHKW Profen GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH[5]	Germany	-	-	50	Direct	-	At cost
Groitzscher Wohnwelt GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MINCA GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MCS GmbH (Zukunft XIII GmbH)[6]	Germany	50	Direct	-	-	At cost	At cost
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH	Germany	30.5	Direct	30.5	Direct	Consolidated	Consolidated
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Photovoltaikpark Peres III GmbH (Zukunft XII GmbH)	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XIII GmbH[6]	Germany	-	-	100	Direct	At cost	At cost
Zukunft XIV GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XV GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XVI GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Minerals GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Minerals CZ, a.s. (EPHCEI HoldCo a.s.)[7]	Czech Republic	100	Direct	-	-	At cost	At cost
Surschiste, S.A.[8]	France	100	Direct	-	-	Consolidated	Consolidated
EP Power Grit GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Grit N.V.	Belgium	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Grit B.V.	Netherlands	100	Direct	100	Direct	At cost	At cost
EP Power Grit Hamburg GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Grit Oy AB	Finland	100	Direct	100	Direct	At cost	At cost
MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Felix Höltken GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MINERALplus Stork GmbH (MINERALplus Stork GmbH & Co. KG)[9]	Germany	74	Direct	74	Direct	At cost	At cost

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
MINERALplus Stork Verwaltungs-GmbH[9]	Germany	-	-	100	Direct	-	At cost
Euroment B.V.	Netherlands	50	Direct	50	Direct	At cost	At cost
EP ENERGO MINERAL Sp. Z o.o.	Poland	50	Direct	50	Direct	At cost	At cost
EP Energo Mineral Deutschland GmbH	Germany	100	Direct	100	Direct	At cost	At cost
STEAG Energo Mineral CZ s.r.o. v likvidaci[10]	Czech Republic	-	-	65	Direct	-	At cost
Power Minerals Ltd.	United Kingdom	100	Direct	100	Direct	At cost	At cost
Orbolite Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Biolite Technologies Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Powerment GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Powerment Verwaltungs GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Hawar Power Minerals W.L.L.	Qatar	49	Direct	49	Direct	At cost	At cost
Myrdalssandur ehf.	Iceland	100	Direct	90	Direct	At cost	At cost
EP Power Minerals Asia Pte.Ltd.	Singapore	100	Direct	100	Direct	At cost	At cost
Hoang Son Fly Ash and Cement JSC	Vietnam	50	Direct	50	Direct	At cost	At cost
EP Power Minerals Americas INC.	United States	100	Direct	100	Direct	At cost	At cost
EP CTA GmbH	Germany	100	Direct	100	Direct	At cost	At cost
EP UK Investments Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Eggborough Power Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Eggborough New Energy Developments Limited	United Kingdom	100	Direct	-	-	At cost	-
Lynemouth Power Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP UK Power Development Ltd	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP SHB Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humberland Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Langage Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Ballylumford Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Kilroot Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Tynagh Energy Limited	Ireland	80	Direct	80	Direct	Consolidated	Consolidated
RVA Group Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Consulting Engineers Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Europe Limited	Cyprus	100	Direct	100	Direct	At cost	At cost
RVA Engineering Solutions Ltd	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP UK Finance Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
Humbly Grove Energy Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
Humbly Grove Energy Services Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Waste Management Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP NI Energy Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Eggborough Limited	United Kingdom	100	Direct	100	Direct	Consolidated	Consolidated
EP Dublin Energy Limited	Ireland	100	Direct	100	Direct	At cost	At cost
EP Energy Developments Limited	Ireland	100	Direct	100	Direct	At cost	At cost
EP Invest Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Belfast Power Holdings Limited[11]	United Kingdom	-	-	100	Direct	-	At cost
Belfast Power Limited[12]	United Kingdom	-	-	100	Direct	-	At cost
Resource Invest AG (EP Commodities AG)[13]	Switzerland	-	-	100	Direct	-	At cost
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Commodities Ukraine TOB	Ukraine	100	Direct	100	Direct	At cost	At cost
EP Produzione S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Fiume Santo S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	75	Direct	Consolidated	Consolidated
Centro Energia Ferrara S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Ep Centrale Tavazzano Montanaso S.P.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Ep Centrale Ostiglia S.p.A. (EPP 2 S.r.l)[14]	Italy	100	Direct	100	Direct	Consolidated	At cost
EP Energia Italia S.r.l. (EPP 3 S.r.l.)[15]	Italy	100	Direct	100	Direct	At cost	At cost
Ergosud S.p.A.	Italy	50	Direct	50	Direct	Equity	Equity
EP New Energy Italia S.r.l.	Italy	51	Direct	51	Direct	Consolidated	Consolidated
Fusine Energia S.r.L.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Consolidated	Consolidated
Biomasse Servizi S.r.l.	Italy	51	Direct	51	Direct	At cost	At cost
EP France Développement SAS	France	100	Direct	100	Direct	At cost	At cost
EP France S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Generation S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Aerodis, S.A.	France	100	Direct	100	Direct	Consolidated	Consolidated
Surschiste, S.A.[8]	France	-	-	100	Direct	Consolidated	Consolidated
Société des Eaux de l'Est S.A.	France	25	Direct	25	Direct	At cost	At cost
Illico S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Renouvelables S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
Gazel Energie Solaire S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energie Solutions S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
Dynamo S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
EP France Management & Services S.A.S.	France	100	Direct	100	Direct	Consolidated	Consolidated
C.S.E. Coulomb	France	100	Direct	-	-	Consolidated	-
EP Netherlands B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Rijnmond Power Holding B.V.	Netherlands	100	Direct	-	-	Consolidated	-
PZEM Pipe B.V.	Netherlands	100	Direct	-	-	Consolidated	-
PZEM Energy Company B.V.	Netherlands	100	Direct	-	-	Consolidated	-
PZEM Tolling Sloe B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Sloe Centrale Holding B.V.	Netherlands	50	Direct	-	-	Consolidated	-
Sloe Centrale B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Sloe Centrale Holding B.V.	Netherlands	50	Direct	-	-	Consolidated	-
Sloe Centrale B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Camden B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Kilburn B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Hampstead B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Primrose Power Holdings B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Belsize Power Holdings B.V.	Netherlands	100	Direct	-	-	Consolidated	-
Enecogen V.O.F.	Netherlands	50	Direct	-	-	Proportionate	-
Nieuwe Maas Energie B.V.	Netherlands	100	Direct	-	-	Consolidated	-
MassStroom Energie C.V.	Netherlands	99	Direct	-	-	Consolidated	-
Spui Energie B.V.	Netherlands	100	Direct	-	-	Consolidated	-
MaasStroom Energie C.V.	Netherlands	100	Direct	-	-	Consolidated	-
Rijnmond Operations B.V.	Netherlands	100	Direct	-	-	Consolidated	-
EP Commodities AG (EP Commodity Solutions AG, International Resource Invest AG)[16]	Switzerland	100	Direct	100	Direct	Consolidated	Consolidated
MENH a.s.	Czech Republic	100	Direct	-	-	At cost	-
Sunrise BidCo GmbH[2]	Germany	100	Direct	-	-	At cost	-
EP Ukraine B.V.	Netherlands	90	Direct	90	Direct	Consolidated	Consolidated
EP Hungary s.r.o.	Czech Republic	90	Direct	100	Direct	At cost	At cost
HHE Group Ventures Kft.	Hungary	50	Direct	50	Direct	At cost	At cost
Pusztaszer Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Darany Energy Kft.	Hungary	100	Direct	-	-	At cost	-
HHE DrávaP Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Industrial Park Opatovice s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost

Appendix 2 – Group entities

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
EP Resources AG	Switzerland	100	Direct	100	Direct	Consolidated	Consolidated
EPR ASIA PTE. LTD.	Singapore	100	Direct	100	Direct	At cost	At cost
EP Resources CZ a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources PL S.A.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Resources DE GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Boldore a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Greeninvest Energy, a.s.	Czech Republic	39.73	Direct	41.67	Direct	Equity	Equity
EP Risk Management Services, a.s. (EP BidCo Storage, a.s.)[17]	Czech Republic	100	Direct	100	Direct	At cost	At cost
GENETT GAS a.s.	Czech Republic	30	Direct	30	Direct	At cost	At cost
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Consolidated	Consolidated
EP Investment Advisors, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Fleet, k.s.	Czech Republic	99.80	Direct	99.80	Direct	Consolidated	Consolidated
EP Auto, s.r.o.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Consolidated	Consolidated
EPH Financing SK, a.s. v likvidácii[18]	Slovakia	100	Direct	100	Direct	At cost	Consolidated
EPH Financing CZ, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EPH Financing International, a.s.	Czech Republic	100	Direct	-	-	Consolidated	-
EP Slovakia B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Slovak Power Holding B.V.*	Netherlands	50	Direct	50	Direct	Equity	Equity
Slovenské elektrárne, a.s.	Slovakia	66	Direct	66	Direct	Equity	Equity
Centrum pre vedu a výskum, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Ochrana a bezpečnosť SE, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Slovenské elektrárne – energetické služby, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
Slovenské elektrárne Česká republika, s.r.o.	Czech Republic	100	Direct	100	Direct	Equity	Equity
SE Služby inžinierskych stavieb, s.r.o.	Slovakia	100	Direct	100	Direct	Equity	Equity
REAKTORTEST, s.r.o.	Slovakia	49	Direct	49	Direct	Equity	Equity
ÚJV Řež, a.s.	Czech Republic	27.80	Direct	27.80	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
Nadácia EPH	Slovakia	100	Direct	100	Direct	At cost	At cost
EP Power Minerals CZ, a.s. (EPHCEI HoldCo a.s.)[7]	Czech Republic	-	-	100	Direct	At cost	At cost
ADCONCRETUM REAL ESTATE DOO BEOGRAD-STARI GRAD	Serbia	100	Direct	100	Direct	At cost	Consolidated

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
EP Logistics International, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SŽ EP Logistika d.o.o.	Slovenia	49	Direct	49	Direct	Equity	Equity
SŽ – Tovorni promet, d.o.o.	Slovenia	100	Direct	100	Direct	Equity	Equity
Sl-Cargo Logistics d.o.o.	Serbia	100	Direct	100	Direct	At cost	At cost
FERSPED, d.o.o.	Slovenia	100	Direct	100	Direct	Equity	Equity
VV LOG d.o.o.	Slovenia	100	Direct	100	Direct	At cost	At cost
FERCARGO d.o.o. SARAJEVO	Bosna and Herzegovina	70	Direct	70	Direct	At cost	At cost
Centar za kombinirani transport Zagreb d.d.	Croatia	32.72	Direct	29	Direct	At cost	At cost
LOCON Logistik & Consulting AG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
LOCON Service GmbH	Germany	100	Direct	100	Direct	At cost	At cost
LOCON Benelux B.V.	Germany	51	Direct	51	Direct	At cost	At cost
LokoTrain s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Lokotrain Deutschland GmbH	Germany	100	Direct	100	Direct	At cost	At cost
LOKOTRAIN POLSKA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Poland	99	Direct	-	-	At cost	-
LokoTrain Slovakia s.r.o.	Slovakia	100	Direct	-	-	At cost	-
SGL – Schienen Güter Logistik GmbH	Germany	100	Direct	-	-	Consolidated	-
EP Cargo Deutschland GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Merseburg Transport und Logistik GmbH	Germany	51	Direct	51	Direct	At cost	At cost
EP CARGO POLSKA S.A.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Invest, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Intermodal a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Trucking CZ s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Trucking SK s. r. o.	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
EP CARGO TRUCKING PL Sp.z o.o.	Poland	100	Direct	100	Direct	Consolidated	Consolidated
EP Cargo Trucking SK s. r. o.	Slovakia	50	Direct	50	Direct	Consolidated	Consolidated
SPEDICA GROUP COMPANIES, s.r.o.	Czech Republic	83.63	Direct	83.63	Direct	Consolidated	Consolidated
SPEDICA LOGISTIC, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
RAILSPED, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
RM LINES, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SPEDICA, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Energy Group GmbH (JTSD – Braunkohlebergbau GmbH)[3]	Germany	10	Direct	10	Direct	Consolidated	Consolidated

Appendix 2 – Group entities

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
MIBRAG GmbH (Mitteldeutsche Braunkohlen Gesellschaft mbH)[4]	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Consolidated	Consolidated
MITAFF GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Profen II GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	50	Direct	50	Direct	At cost	At cost
WP Helmstedter Revier I GmbH (Zukunft II GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Geo!D GmbH (BHKW Profen GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH[5]	Germany	-	-	50	Direct	-	At cost
Groitzscher Wohnwelt GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MINCA GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MCS GmbH (Zukunft XIII GmbH)[6]	Germany	50	Direct	-	-	At cost	At cost
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH	Germany	30.5	Direct	30.5	Direct	Consolidated	Consolidated
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Consolidated	Consolidated
MITAFF GmbH & Co. KG	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres I GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Windpark Breunsdorf I GmbH	Germany	50	Direct	50	Direct	At cost	At cost

	Country of incorporation	31 December 2023 Owner-ship %	31 December 2023 Owner-ship interest	31 December 2022 Owner-ship %	31 December 2022 Owner-ship interest	2023 Measurement	2022 Measurement
Windpark Profen II GmbH	Germany	50	Direct	50	Direct	At cost	At cost
Wohnwert Hohenmölsen GmbH	Germany	50	Direct	50	Direct	At cost	At cost
WP Helmstedter Revier I GmbH (Zukunft II GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Geo!D GmbH (BHKW Profen GmbH)	Germany	50	Direct	50	Direct	At cost	At cost
Photovoltaikpark Peres II GmbH(5)	Germany	-	-	50	Direct	-	At cost
Groitzscher Wohnwelt GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MINCA GmbH	Germany	50	Direct	50	Direct	At cost	At cost
MCS GmbH (Zukunft XIII GmbH)(6)	Germany	50	Direct	-	-	At cost	At cost
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH	Germany	30.5	Direct	30.5	Direct	Consolidated	Consolidated
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Photovoltaikpark Peres III GmbH (Zukunft XII GmbH)	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XIII GmbH(6)	Germany	-	-	100	Direct	At cost	At cost
Zukunft XIV GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XV GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft XVI GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau Betriebsgesell-schaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
DCR INVESTMENT a.s., v likvidaci(19)	Czech Republic	-	-	100	Direct	-	At cost
ABS PROPERTY LIMITED	Ireland	100	Direct	100	Direct	Consolidated	Consolidated
EPIF Investments a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Infrastructure, a.s.*	Czech Republic	69	Direct	69	Direct	Consolidated	Consolidated
EP Energy, a.s.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Consolidated	Consolidated
PT měření, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
PT Holding Investment B.V.*(20)	Netherlands	-	-	100	Direct	-	At cost
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Nadační fond pro rozvoj vzdělávání	Czech Republic	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated

	Country of incorporation	31 December 2023 Owner-ship %	31 December 2023 Owner-ship interest	31 December 2022 Owner-ship %	31 December 2022 Owner-ship interest	2023 Measurement	2022 Measurement
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Dobrá Energie s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Gazel Energy, a.s.	Czech Republic	100	Direct	-	-	At cost	-
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Farma Lístek, s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
MR TRUST s.r.o.*	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
ARISUN, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
VTE Pchery, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Alternative Energy, s.r.o.	Slovakia	99	Direct	90	Direct	Consolidated	Consolidated
CHIFFON ENTERPRISES LIMITED*(21)	Cyprus	-	-	100	Direct	-	At cost
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
GABIT spol. s r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EOP Distribuce, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika Holding, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated
Kinet s.r.o.	Slovakia	100	Direct	80	Direct	Consolidated	Consolidated
Kinet Inštal s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská distribučná, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Elektroenergetické montáže, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE – Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika – Project Development, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SPV100, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SSE – MVE, s.r.o.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Stredoslovenská energetika, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
PW geoenergy a.s.	Slovakia	51	Direct	51	Direct	Consolidated	Consolidated
EP ENERGY HR d.o.o. za usluge	Croatia	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Patamon a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Plzeňská teplárenská, a.s.	Czech Republic	35	Direct	35	Direct	Consolidated	Consolidated
Plzeňská teplárenská SERVIS IN a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Plzeňská teplárenská Energetické služby s.r.o.[22]	Czech Republic	100	Direct	100	Direct	At cost	At cost
PPT POTRUBNÍ TECHNIKA s.r.o.[22]	Czech Republic	-	-	100	Direct	-	At cost
TERMGLOBAL s.r.o.[23]	Czech Republic	-	-	100	Direct	-	At cost
TRAXELL s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EPIF BidCo I s.r.o. (Czech Gas Storages s.r.o.)[23]	Czech Republic	100	Direct	-	-	At cost	-
Czech Gas Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA a.s.	Slovakia	40.45	Direct	40.45	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	100	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	10	Direct	10	Direct	Consolidated	Consolidated
EP Hungary, s.r.o.	Czech Republic	10	Direct	10	Direct	At cost	At cost
HHE Group Ventures Kft.	Hungary	50	Direct	50	Direct	At cost	At cost
Pusztaszer Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Darany Energy Kft.	Hungary	100	Direct	-	-	At cost	-
HHE DrávaP Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Slovakian Horizon Energy, s.r.o.	Slovakia	100	Direct	50	Direct	Consolidated	Equity
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH& Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V.	Netherlands	100	Direct	100	Direct	At cost	At cost
CNG LLC	Ukraine	100	Direct	100	Direct	At cost	At cost
EPH Gas Holding B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
Seattle Holding B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Slovak Gas Holding B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
SPP Infrastructure, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated
eustream, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
Central European Gas HUB AG	Austria	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	100	Direct	100	Direct	At cost	At cost
Plynárenská metrológia, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SPP – distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
SPP – distribúcia Servis, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Consolidated	Consolidated
Karotáž a cementace, s.r.o.	Czech Republic	100	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Consolidated	Consolidated
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
EP Ukraine B.V.	Netherlands	10	Direct	10	Direct	Consolidated	Consolidated
EP Hungary, s.r.o.	Czech Republic	10	Direct	10	Direct	At cost	At cost
HHE Group Ventures Kft.	Hungary	50	Direct	50	Direct	At cost	At cost
Pusztaszer Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Darany Energy Kft.	Hungary	100	Direct	-	-	At cost	-
HHE DrávaP Koncessziós Kft.	Hungary	100	Direct	-	-	At cost	-
Slovakian Horizon Energy, s.r.o.	Slovakia	100	Direct	50	Direct	Consolidated	Equity
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher GmbH&Co. KG	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA Speicher Inzenham GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
NAFTA RV	Ukraine	100	Direct	100	Direct	Consolidated	Consolidated
CNG Holdings Netherlands B.V.	Netherlands	100	Direct	100	Direct	At cost	At cost
CNG LLC	Ukraine	100	Direct	100	Direct	At cost	At cost

	Country of incorporation	31 December 2023 Ownership %	31 December 2023 Ownership interest	31 December 2022 Ownership %	31 December 2022 Ownership interest	2023 Measurement	2022 Measurement
GEOTERM KOŠICE, a.s.	Slovakia	95.82	Direct	95.82	Direct	Consolidated	Consolidated
SPP Storage, s.r.o.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	Consolidated	Consolidated
SLOVGEOTERM a.s.	Slovakia	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	0.08	Direct	0.08	Direct	Consolidated	Consolidated
GALANTATERM spol. s r.o.	Slovakia	0.5	Direct	0.5	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	17.5	Direct	17.5	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated

* Holding entity
(1) During 2023, in a series of transactions the Group disposed of its interests in Lausitz Energie Verwaltungs GmbH, Lausitz Energie Bergbau AG, Lausitz Energie Kraftwerke AG, its subsidiaries and associates. Refer to Note 6(d) for more details.
(2) On 19 December 2023, Sunrise BidCo Gmbh was transferred to EP Power Europe, a.s. as a part of internal reorganization.
(3) On 1 September 2023, JTSD-Braunkohlebergbau GmbH was renamed to MIBRAG Energy Group GmbH.
(4) On 1 September 2023, Mitteldeutsche Braunkohlengesellschaft mbH was renamed to MIBRAG GmbH.
(5) On 1 April 2023, Photovoltaikpark Peres II GmbH merged with MINCA GmbH (successor company).
(6) On 23 March 2023, Zukunft XIII GmbH was transferred from MIBRAG GmbH to Tagebau Profen GmbH & Co. KG (50% share) and Tagebau Schleenhein GmbH & Co. KG (50% share) as a part of internal reorganization.
(7) On 12 April 2023, EPHCEI HoldCo a.s. was renamed to EP Power Minerals CZ, a.s. On 25 April 2023, EP Power Minerals CZ, a.s. was transferred from Energetický a průmyslový holding, a.s to EP Power Minerals GmbH as a part of internal reorganization.
(8) On 1 January 2023, Surschiste, S.A was sold from Gazel Energie Generation S.A.S. to EP Power Minerals GmbH.
(9) On 3 July 2023, MINERALplus Stork Verwaltuns GmbH merged with MINERALplus Stork GmbH (successor company). With the merger, the successor company changed legal form from GmbH & Co. KG to GmbH.
(10) On 17 April 2023, STEAG Energo Mineral CZ s.r.o. v likvidaci was deleted from Commercial Register.
(11) On 20 June 2023, Belfast Power Holdings Limited was deleted from Commercial Register.
(12) On 20 June 2023, Belfast Power Limited was deleted from Commercial Register.
(13) On 16 January 2023, EP Commodities AG was renamed to Resource Invest AG. On 25 January 2023, Resource Invest AG was sold outside the Group.
(14) On 19 April 2023, EPP 2 S.r.l. was renamed to Ep Centrale Ostiglia S.p.A.
(15) On 16 October 2023, EPP 3 S.r.l. was renamed to EP Energia Italia S.r.l.
(16) On 12 January 2023, International Resource Invest AG was renamed to EP Commodity Solutions AG, subsequently on 24 February 2023, EP Commodity Solutions AG was renamed to EP Commodities AG.
(17) On 23 August 2023, EP BidCo Storage, a.s. was renamed to EP Risk Management Services, a.s.
(18) On 6 April 2023, EPH Financing SK, a.s. was renamed to EPH Financing SK, a.s. v likvidácii.
(19) On 7 November 2023, DCR INVESTMENT a.s., v likvidaci was deleted from from Commercial Register.
(20) On 8 June 2023, PT Holding Investment B.V. was deleted from Commercial Register.
(21) On 23 September 2023, CHIFFON ENTERPRISES LIMITED was deleted from Commercial Register.
(22) On 1 January 2023, PPT POTRUBNÍ TECHNIKA s.r.o. and TERMGLOBAL s.r.o merged with Plzeňská teplárenská Energetické služby, s.r.o. (successor company).
(23) On 11 October 2023, Czech Gas Storages s.r.o. was renamed to EPIF BidCo I s.r.o.

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

Single audit report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Energetický a průmyslový holding, a.s.

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

Opinion

We have audited the accompanying financial statements of Energetický a průmyslový holding, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Energetický a průmyslový holding, a.s. as at 31 December 2023, 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 Annual Report

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

As described in Note 2(i) to the financial statements, Energetický a průmyslový holding, a.s. has not prepared an annual report as at 31 December 2023, as it intends to include the relevant information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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.

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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 skepticism 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 18 March 2024

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

Statutory Financial Statements for the Year Ended 31 December 2023

EPH

Statutory Financial Statements
Year ended 31 December 2023
and Notes to the Statutory Financial Statements

Balance Sheet

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

FULL VERSION

Pařížská 130/26
Josefov
110 00 Praha 1

As of 31.12.2023
(in CZK thousand)

		31.12.2023			31.12.2022
	TOTAL ASSETS	**187,282,428**	**147,599**	**187,134,829**	**153,129,567**
B.	**Fixed assets**	**116,339,205**	**147,599**	**116,191,606**	**115,776,715**
B.I.	***Intangible fixed assets***	**137**	**137**		
B.I.4.	Other intangible fixed assets	137	137		
B.II.	***Tangible fixed assets***	**1,873**	**1,462**	**411**	**655**
B.II.2.	Tangible movable assets and sets of tangible movable assets	1,873	1,462	411	655
B.III.	***Non-current financial assets***	**116,337,195**	**146,000**	**116,191,195**	**115,776,060**
B.III.1.	Equity investments – controlled or controlling entity	116,185,007	146,000	116,039,007	115,637,879
B.III.5.	Other non-current securities and investments	152,188		152,188	138,181
C.	**Current assets**	**70,282,752**		**70,282,752**	**37,215,976**
C.I.	***Inventories***	**51,043**		**51,043**	**27,508**
C.I.2.	Work in progress and semifinished goods	51,043		51,043	27,508
C.II.	***Receivables***	**57,855,038**		**57,855,038**	**32,308,025**
C.II.1.	Long-term receivables	**26,158,799**		**26,158,799**	**7,449,710**
C.II.1.2.	Receivables – controlled or controlling entity	22,621,280		22,621,280	4,469,495
C.II.1.3.	Receivables – associates	2,582,527		2,582,527	2,444,658
C.II.1.5.	*Receivables – other*	**954,992**		**954,992**	**535,557**
C.II.1.5.4.	Sundry receivables	954,992		954,992	535,557
C.II.2.	***Short-term receivables***	**31,696,239**		**31,696,239**	**24,858,315**
C.II.2.1.	Trade receivables	760,903		760,903	1,169,206
C.II.2.2.	Receivables – controlled or controlling entity	30,384,412		30,384,412	22,812,381
C.II.2.3.	Receivables – associates	2,254		2,254	48,579
C.II.2.4.	*Receivables – other*	**548,670**		**548,670**	**828,149**
C.II.2.4.3.	State – tax receivables	465,417		465,417	17,953
C.II.2.4.4.	Short-term prepayments made	4,984		4,984	4,252
C.II.2.4.5.	Estimated receivables	3,398		3,398	2,325
C.II.2.4.6.	Sundry receivables	74,871		74,871	803,619
C.IV.	***Cash***	**12,376,671**		**12,376,671**	**4,880,443**
C.IV.1.	Cash on hand	132		132	105
C.IV.2.	Cash at bank	12,376,539		12,376,539	4,880,338
D.	**Other assets**	**660,471**		**660,471**	**136,876**
D.1.	Deferred expenses	660,471		660,471	136,876

		31.12.2023	31.12.2022
	TOTAL LIABILITIES & EQUITY	**187,134,829**	**153,129,567**
A.	**Equity**	**13,957,467**	**58,280,827**
A.I.	***Share capital***	**4,000,000**	**4,000,000**
A.I.1.	Share capital	4,000,000	4,000,000
A.II.	***Share premium and capital funds***	**-344,174**	**-469,057**
A.II.2.	*Capital funds*	**-344,174**	**-469,057**
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-344,174	-469,057
A.IV.	***Retained earnings (+/-)***	**626,935**	**45,990,832**
A.IV.1.	Other reserve funds	626,935	45,990,832
A.V.	***Profit or loss for the current period (+/-)***	**38,123,997**	**8,759,052**
A.VI.	Profit share prepayments declared (-)	-28,449,291	
B.+C.	**Liabilities**	**173,176,420**	**94,848,102**
B.	**Reserves**	**3,115**	**468,487**
B.2.	Income tax reserve		465,881
B.4.	Other reserves	3,115	2,606
C.	**Payables**	**173,173,305**	**94,379,615**
C.I.	***Long-term payables***	**95,834,466**	**64,006,875**
C.I.1.	*Bonds issued*	**2,415,638**	1,446,900
C.I.1.2.	Other bonds	2,415,638	1,446,900
C.I.2.	Payables to credit institutions	70,856,368	42,976,975
C.I.6.	Payables – controlled or controlling entity	22,382,589	19,546,000
C.I.9.	*Payables – other*	**179,871**	**37,000**
C.I.9.3.	Sundry payables	179,871	37,000
C.II.	***Short-term payables***	**77,338,839**	**30,372,740**
C.II.1.	*Bonds issued*	**41,227**	**19,785**
C.II.1.2.	Other bonds	41,227	19,785
C.II.2.	Payables to credit institutions	1,814,648	7,364,177
C.II.4.	Trade payables	143,077	153,877
C.II.5.	Short-term bills of exchange to be paid		5,133,522
C.II.6.	Payables – controlled or controlling entity	69,296,056	17,612,531
C.II.8.	*Other payables*	**6,043,831**	**88,848**
C.II.8.1.	Payables to partners	5,830,000	
C.II.8.3.	Payables to employees	22,497	7,462
C.II.8.4.	Social security and health insurance payables	5,227	2,050
C.II.8.5.	State – tax payables and subsidies	6,407	1,440
C.II.8.6.	Estimated payables	12,665	9,654
C.II.8.7.	Sundry payables	167,035	68,242
D.	**Other liabilities**	**942**	**638**
D.1.	Accrued expenses	942	638

Profit and Loss Account

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

STRUCTURED BY THE NATURE OF EXPENSE METHOD

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2023
(in CZK thousand)

		31.12.2023	31.12.2022
I.	Sales of products and services	222,694	115,066
A.	Purchased consumables and services	677,726	459,631
A.2.	Consumed material and energy	3,149	2,111
A.3.	Services	674,577	457,520
B.	Change in internally produced inventory (+/-)	-23,535	5,194
D.	Staff costs	331,556	216,926
D.1.	Payroll costs	285,307	180,239
D.2.	Social security and health insurance costs and other charges	46,249	36,687
D.2.1.	Social security and health insurance costs	46,218	36,643
D.2.2.	Other charges	31	44
E.	Adjustments to values in operating activities	244	333
E.1.	Adjustments to values of intangible and tangible fixed assets	244	333
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	244	333
III.	Other operating income	48,386,374	1,026,285
III.3.	Sundry operating income	48,386,374	1,026,285
F.	Other operating expenses	48,426,535	1,098,505
F.3.	Taxes and charges	26	76
F.4.	Reserves relating to operating activities and complex deferred expenses	509	7
F.5.	Sundry operating expenses	48,426,000	1,098,422
*	**Operating profit or loss (+/-)**	**-803,458**	**-639,238**
IV.	Income from non-current financial assets – equity investments	43,623,597	10,982,192
IV.1.	Income from equity investments – controlled or controlling entity	43,623,597	10,982,192
G.	Costs of equity investments sold	2,000	2,693,278
VI.	Interest income and similar income	1,857,263	894,263
VI.1.	Interest income and similar income – controlled or controlling entity	1,278,994	338,606
VI.2.	Other interest income and similar income	578,269	555,657
J.	Interest expenses and similar expenses	5,780,181	2,306,140
J.1.	Interest expenses and similar expenses – controlled or controlling entity	2,163,645	968,415
J.2.	Other interest expenses and similar expenses	3,616,536	1,337,725
VII.	Other financial income	6,476,843	10,370,649
K.	Other financial expenses	7,170,775	7,243,605
*	**Financial profit or loss (+/-)**	**39,004,747**	**10,004,081**
**	**Profit or loss before tax (+/-)**	**38,201,289**	**9,364,843**
L.	Income tax	77,292	605,791
L.1.	Due income tax	77,292	605,791
**	**Profit or loss net of tax (+/-)**	**38,123,997**	**8,759,052**
***	**Profit or loss for the current period (+/-)**	**38,123,997**	**8,759,052**
*	Net turnover for the current period	100,566,771	23,388,455

Statement of Changes in Equity

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2023
(in CZK thousand)

	Share capital	Gains or losses from the revaluation of assets and liabilities	Accumulated profits brought forward	Profit or loss for the current period	Profit share prepayments declared	TOTAL EQUITY
Balance at 31 December 2021	**4,000,000**	**-344,796**	**69,916,619**	**13,509,958**		**87,081,781**
Distribution of profit or loss			13,509,958	-13,509,958		
Profit shares declared			-37,435,745			-37,435,745
Gains or losses from the revaluation of assets and liabilities		-124,261				-124,261
Profit or loss for the curent period				8,759,052		8,759,052
Balance at 31 December 2022	**4,000,000**	**-469,057**	**45,990,832**	**8,759,052**		**58,280,827**
Distribution of profit or loss			8,759,052	-8,759,052		
Profit share prepayments declared					-28,449,291	-28,449,291
Profit shares declared			-54,122,949			-54,122,949
Gains or losses from the revaluation of assets and liabilities		124,883				124,883
Profit or loss for the curent period				38,123,997		38,123,997
Balance at 31 December 2023	**4,000,000**	**-344,174**	**626,935**	**38,123,997**	**-28,449,291**	**13,957,467**

Cash Flow Statement

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2023
(in CZK thousand)

		Year ended 31.12.2023	Year ended 31.12.2022
P.	**Opening balance of cash and cash equivalents**	**4,880,443**	**5,795,456**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss from ordinary activities before tax	38,201,289	9,364,843
A.1.	Adjustments for non-cash transactions	-36,694,292	-12,381,907
A.1.1.	Depreciation of fixed assets	244	333
A.1.2.	Change in provisions and reserves		
A.1.3.	Profit/(loss) on the sale of fixed assets	97	-4,947,722
A.1.4.	Revenues from profit shares	-43,621,694	-3,341,192
A.1.5.	Interest expense and interest income	3,922,918	1,411,877
A.1.6.	Adjustments for other non-cash transactions	3,004,143	-5,505,203
A.*	**Net operating cash flow before changes in working capital**	**1,506,997**	**-3,017,064**
A.2.	Change in working capital	545,585	-1,504,502
A.2.1.	Change in operating receivables and other assets	454,124	-1,281,754
A.2.2.	Change in operating payables and other liabilities	114,996	-227,942
A.2.3.	Change in inventories	-23,535	5,194
A.**	**Net cash flow from operations before tax**	**2,052,582**	**-4,521,566**
A.3.	Interest paid	-5,042,303	-1,929,568
A.4.	Interest received	1,536,784	444,230
A.5.	Income tax paid from ordinary operations	-978,865	-80,291
A.***	**Net operating cash flows**	**-2,431,802**	**-6,087,195**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-292,252	-1,593,984
B.2.	Proceeds from fixed assets sold	1,903	
B.3.	Loans and borrowings to related parties	-23,949,207	5,556,734
	Received profit shares	24,655,500	3,339,105
B.***	**Net investment cash flows**	**415,944**	**7,301,855**
	Cash flow from financial activities		
C.1.	Change in payables from financing	38,840,283	23,144,685
C.2.	Impact of changes in equity	-29,328,197	-25,274,358
C.2.6.	Profit shares paid	-29,328,197	-25,274,358
C.***	**Net financial cash flows**	**9,512,086**	**-2,129,673**
F.	**Net increase or decrease in cash and cash equivalents**	**7,496,228**	**-915,013**
R.	**Closing balance of cash and cash equivalents**	**12,376,671**	**4,880,443**

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S.

Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

1. Incorporation and description of the Company

Energetický a průmyslový holding, a.s. (“the Company” or “EPH”) was registered in the Commercial Register on 10 August 2009 by subscription of the registered capital in the form of a non-monetary contribution of 100% of shares of Bauliga, a.s., Honor Invest, a.s. and Masna Holding Limited.

The Company is a leading European energy group that owns and operates assets in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Ireland, France, and Switzerland. EPH is a vertically integrated energy utility covering a complete value chain with a primary focus on gas transmission, distribution and storage as well as power and heat generation and distribution. The Group focuses on regulated and long-term contracted assets in the areas of natural gas transmission, power, gas and heat distribution as well as gas storage and power generation.

OWNERSHIP STRUCTURE

The shareholders of the Company as of 31 December 2023 are:

	Interest in registered capital	Voting rights
EP Corporate Group, a.s.	56% plus 1 share	56% plus 1 share
J&T ENERGY HOLDING, a.s.	44% less 1 share	44% less 1 share
Total	**100%**	**100%**

REGISTERED OFFICE

Energetický a průmyslový holding, a.s.
Pařížská 130/26, Josefov
110 00 Praha 1
Czech Republic

IDENTIFICATION NUMBER

283 56 250

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF 31 DECEMBER 2023

MEMBERS OF THE BOARD OF DIRECTORS

JUDr. Daniel Křetínský (Chairman)
Mgr. Marek Spurný
Mgr. Pavel Horský
Ing. Jan Špringl

MEMBERS OF THE SUPERVISORY BOARD

Mgr. Petr Sekanina (Chairman)
Mgr. Tereza Štefunková
Mgr. Martin Fedor

2. Basis of accounting and general accounting policies applied by the Company

The accompanying financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations, and decrees applicable to entrepreneurs, Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The financial statements have been prepared on the historical cost basis.

The financial statements of the Company have been prepared as at the balance sheet date of 31 December 2023 for the 2023 calendar year ("the year" or "the accounting period").

All amounts are shown in thousands of Czech crowns ("CZK thousand"), unless stated otherwise.

A TANGIBLE AND INTANGIBLE FIXED ASSETS

VALUATION METHOD

Purchased fixed assets are measured at prices pursuant to Section 47 of Decree No. 500/2002 Coll. Tangible fixed assets costing up to CZK 80 thousand and intangible fixed assets costing up to CZK 80 thousand are not recognised in the balance sheet and are expensed in the year that they are acquired.

Assets generated by the Company's own activity are measured at cost, which includes direct material and personnel expenses and overheads related to the production of the assets. Interest and other financial expenses are capitalised during the period of acquisition of the assets, i.e. until the assets are put into use. Afterwards, they are part of financial costs.

Intangible and tangible fixed assets acquired free of charge are measured at their replacement cost and posted in the 'Other capital funds' account (not depreciated) and in asset accounts against accumulated depreciation (depreciated).

The temporary impairment of fixed intangible and tangible assets is shown through adjustments, which are reported in the correction column of the balance sheet along with depreciation.

Costs of technical improvement increases the cost of intangible and tangible fixed assets. Repair and maintenance costs are charged to current year expenses.

DEPRECIATION (AMORTISATION)

Tangible and intangible fixed assets are depreciated (amortised) based on their acquisition cost and estimated useful lives on a straight-line and monthly basis, depreciation (amortisation) starts in the month following the month in which a relevant asset is put into use and ends in the month in which the asset is disposed of. For technical improvements that become part of the depreciated assets, depreciation (amortisation) starts in the month in which a relevant technical improvement is put into use (this does not apply to technical improvements made to fixed assets of another).

Assets are depreciated (amortised) using the following methods over the following periods:

Assets	Method	Period
Computer technology	Straight-line	3 years
Other intangible assets (trademark)	Straight-line	6 years

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

B FINANCIAL ASSETS

Non-current financial assets include equity investments in subsidiaries and associated companies, debt securities that the Company has the intent and ability to hold to maturity, and other long-term securities for which the Company's intent is not known upon acquisition.

Securities are initially stated at cost defined under Section 48 of Decree No. 500/2002 Coll. The cost of securities does not include interest on loans taken for their acquisition and expenses associated with their holding.

Equity investments are measured at acquisition cost at the balance sheet date. Where a particular equity investment has been impaired, a provision is recognised based on performed impairment tests. Impairment tests are carried out in the form of discounted operating cash flows.

Equity investments contributed to the Company's registered capital are measured based on an expert opinion of an independent expert appointed by court.

If equity investments are held in foreign currencies, they are translated as at the balance sheet date using the current rates of exchange announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

Available-for-sale securities and ownership interests are measured at fair value if the value can be determined. A change in fair value of available-for-sale securities is recognised in gains or losses from the revaluation of assets and liabilities in equity, if this is a change in fair value that is unlikely to be permanent. Impairment that is likely to be permanent is recognised as current period costs. If fair value of available-for-sale securities demonstrably increases after the impairment is recognised in finance cost accounts, the increase in fair value recognised up to the amount of formerly recognised impairment is recognised as revenue of the relevant period. The market value of securities as of the date of financial statements is used as the fair value.

If securities are held in foreign currencies, they are translated as at the balance sheet date using the current rates of exchange announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

C RECEIVABLES

Receivables are accounted for at their nominal value, assigned receivables are stated at acquisition cost, i.e. including other related costs (Section 25 of Act No. 563/1991 Coll.). As of the balance sheet date, a temporary impairment of doubtful receivables is accounted for using provisions that are debited to expenses and are shown in the correction column in the balance sheet. Provisions are recognised against receivables based on an analysis of the credit status of individual customers.

The value of receivables from provided loans is increased by uncollected interest (except for default interest).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

D DERIVATIVES

TRADING DERIVATIVES

As of the balance sheet date, derivatives held for trading are recognised at fair value under 'Other receivables' or 'Other payables', and gains (losses) from changes in their fair values are recognised in profit or loss.

E LOANS RECEIVED AND GRANTED

Short-term and long-term loans are initially recognised at their nominal value upon receipt. Upon the preparation of the financial statements the loan balances are increased by unpaid interest charged by banks or other parties. The part of long-term loans due within one year from the balance sheet date is classified as short-term.

F FOREIGN CURRENCY TRANSACTIONS

The Company applies the Czech National Bank official exchange rate effective on the date of acquisition of an asset or the occurrence of a liability to translate foreign currency transactions. Realised foreign exchange gains and losses are recognised in the profit and loss account.

As of the balance sheet date, foreign currency assets and liabilities are translated at the prevailing Czech National Bank official rates and all foreign exchange differences arising from gains or losses from assets and liabilities were recorded in financial revenues or financial expenses (except for equity investments – see Note 2(b)).

G RECOGNITION OF EXPENSES AND REVENUES

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing. In compliance with the principle of prudence, reserves and provisions are created to cover all risks, losses and impairment known as of the balance sheet date and are debited to expenses.

H INCOME TAX

Current income tax is calculated using the effective tax rate and the accounting profit increased or decreased by permanent or temporary non-deductible expenses and non-taxable revenues (e.g. the creation and utilisation of other reserves and provisions, representation costs, differences between accounting and tax depreciation).

(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

Deferred income tax is determined for companies constituting a group of companies and for all entities subject to the obligation of having their financial statements audited. It is based on the balance sheet approach, i.e. the temporary differences between the tax base of assets and liabilities and their book value in the balance sheet, multiplied by the income tax rate expected to be valid for the subsequent accounting period.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is presented in ‘State – tax receivables’, the net payable (if any) is presented in ‘Income tax provision’.

I CONSOLIDATION

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the EU. The consolidated financial statements are part of the consolidated annual report, which may be obtained at the Company’s registered office and at www.epholding.cz or www.justice.cz in the collection of documents of Energetický a průmyslový holding, a.s.

The consolidated financial statements for the widest group of entities for the year 2023 are prepared by EP Investment S.à r.l, with its registered office at Place de Paris 2, L-2314 Luxembourg, where the consolidated financial statements are also available.

The Company does not prepare an annual report as of the date of these separate financial statements because it intends to include the relevant information in the consolidated annual report.

J EXTERNAL FINANCING COSTS

Costs incurred to obtain external financing (including other associated costs) are accrued over the term of the loans to which they relate.

K DIVIDENDS

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established. Profit share prepayments are recognised in current year revenues, i.e. in the period when the profit share prepayment was declared.

3. Other significant events – War in Ukraine

In the context of the ongoing military conflict in Ukraine and the related sanctions against the Russian Federation, the Company has identified risks and has taken reasonable measures to mitigate the impact on its business. Based on available information and current developments, the Company continuously analyses the situation and assesses its direct impact on the Company. The Company’s management has assessed the potential impact of this situation on its operations and business and has concluded that it does not currently have a material impact on these financial statements or on the going concern assumption in 2024. However, further negative developments in this situation cannot be ruled out, which could subsequently have a negative impact on the Company, its business, financial condition, results of operations, cash flows and overall prospects.

In accordance with the accounting policy described in 2(b) Equity Investments, the value of the equity investments was tested for impairment. The Company monitors the financial performance of its subsidiaries on a regular basis and evaluates scenarios for the performance of key subsidiaries. For the purpose of preparing the financial statements, the Company has evaluated scenarios of possible future developments that may impact the value of the equity investments. The Company has used various scenarios of future developments, including pessimistic options, which included, among others, a complete cessation of Russian gas flows to EU countries. However, future developments cannot be reliably predicted and therefore the need for adjustments to the values of equity investments in future periods cannot be excluded. As part of the impairment testing performed, the Company did not identify any impairment of the equity investments as of 31 December 2023 caused by the ongoing military conflict in Ukraine that would require an adjustment to the respective financial statement measurements under applicable accounting policies.

4. Cash flow statement

The cash flow statement was prepared using the indirect method. Cash equivalents represent short-term liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

(in CZK thousand)

	Balance as of 31/12/2023	Balance as of 31/12/2022
Cash on hand	132	105
Cash at bank	12,376,539	4,880,338
Total	**12,376,671**	**4,880,443**

Cash flows from operating, investing or financial activities presented in the cash flow statement are not offset.

5. Non-current financial assets

AS OF 31 DECEMBER 2023 AND 31 DECEMBER 2022

Equity investments – controlled or controlling entity	Total profit (+) loss (-) for year 2023 (in thousands of CZK/EUR/PLN/RSD)	Equity as of 31/12/2023 (in thousands of CZK/EUR/PLN/RSD)	Acquisition cost as of 31/12/2023 (in CZK thousand) less provision	Acquisition cost as of 31/12/2022 (in CZK thousand) less provision
Adconcretum real estate Ltd.*	2,051 (RSD)	211,774(RSD)	87,517	85,357
ABS PROPERTY LIMITED*	-62,496 (CZK)	20,385 (CZK)	52,940	51,634
MIBRAG Energy Group GmbH (formerly JTSD – Braunkohlebergbau GmbH)*	176,439 EUR)	216,633 (EUR)	385,750	376,233
EP Logistics International, a.s.*	-35,079 (CZK)	189,732 (CZK)	123,529	68,070
EP Power Europe, a.s.	37,826,525 (CZK)	31,541,113 (CZK)	19,922,105	19,818,168
EPIF Investments a.s.*	-846 (CZK)	91,059,875 (CZK)	91,059,000	91,059,000
EP Investment Advisors, s.r.o.*	14,216 (CZK)	304,916 (CZK)	291,000	291,000
Nadácia EPH***	0 (EUR)	6 (EUR)	164	160
EPH Financing SK, a.s. v likvidácii***	-5 (EUR)	452 (EUR)	747	728
EPH Financing CZ, a.s.*	11,478 (CZK)	27,217 (CZK)	32,000	32,000
EPH Financing International, a.s.	-442 (EUR)	4,530 (EUR)	122,000	0
EP Slovakia B.V.***	-467 (EUR)	156,972 (EUR)	3,962,255	3,853,529
EP Power Minerals CZ, a.s.** (formerly EPHCEI HoldCo a.s.)	-	-	-	2,000
Total			**116,039,007**	**115,637,879**

Acquisition cost includes any provisions.
* Data derived from non-audited financial statements as of 31 December 2023.
** The Company was sold in 2023.
*** Data derived from financial statements as of 31 December 2022.

Except for MIBRAG Energy Group GmbH (10%), all equity investments are fully owned. The remaining 90% is owned by a 100% subsidiary of EP Power Europe, a.s., therefore the company is listed as controlled.

The Company recognised a provision in the amount of CZK 146,000 thousand against a financial investment in EP Investment Advisors, s.r.o. (as of 31 December 2022: CZK 146,000 thousand).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

REGISTERED OFFICES OF THE COMPANIES AS OF 31 DECEMBER 2023 WERE AS FOLLOWS:

Adconcretum real estate Ltd., Belgrade, Vuka Karadzica 6, Serbia
ABS PROPERTY LIMITED, 7 Argyle Square, Morehampton Road, Donnybrook, Dublin 4, D04K3H0, Ireland
MIBRAG Energy Group GmbH, Glück-Auf-Straße 1, 06711 Zeitz, Germany
EP Logistics International, a.s., náměstí Hrdinů 1693/4a, Nusle, 140 00 Praha 4, Czech Republic
EP Power Europe, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EPIF Investments a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Investment Advisors, s.r.o., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
Nadácia EPH, Plátennícka 19013/2, Bratislava – Ružinov, 821 09, Slovakia
EPH Financing SK, a.s. v likvidácii, Dúbravská cesta 14, Bratislava – mestská časť Karlova Ves, 841 04, Slovakia
EPH Financing CZ, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EPH Financing International, a.s., Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
EP Slovakia B.V., Schiphol Boulevard 477 C-4, 1118BK, Schiphol, Netherlands

In 2023, there were the following significant changes in non-current financial assets:

a) On 30 January 2023, the Company increased its shareholding in EP Slovakia B.V. in the form of an additional equity contribution of EUR 455 thousand (CZK 10,856 thousand).

b) On 7 February 2023, the Company increased its shareholding in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 22,271 thousand.

c) On 25 April 2023, the Company sold its 100% shareholding in EP Power Minerals CZ, a.s. to EP Power Minerals GmbH.

d) On 27 April 2023, the Company increased its shareholding in EP Logistics International, a.s. in the form of an additional equity contribution of CZK 25,856 thousand.

e) On 19 May 2023, the Company increased its shareholding in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 59,343 thousand.

f) On 25 August 2023, the Company increased its shareholding in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 22,323 thousand.

g) On 6 September 2023, EPH Financing International, a.s. was incorporated.

h) On 27 October 2023, the Company increased its shareholding in EP Logistics International, a.s. in the form of an additional equity contribution of CZK 29,604 thousand.

i) On 20 December 2023, the Company increased its shareholding in EPH Financing International, a.s. in the form of an additional equity contribution of CZK 120,000 thousand

The Company did not disclose the amounts for which its equity investments were sold as the Company considers it a trade secret.

Other non-current securities and investments include acquired profit participation certificates measured at fair value of CZK 152,178 thousand (CZK 138,171 thousand as of 31 December 2022).

6. Long-term receivables

A RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

31 DECEMBER 2023

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Commodities, a.s.	12,381,743	-*	2026
EP Logistics International, a.s.	109,030	-	2027
EP Logistics International, a.s.	74,175	932	2026
EP Netherlands B.V.	8,070,056	-*	2026
EP Power Europe, a.s.	615,330	3,246	2025
EP Power Europe, a.s.	1,359,875	6,893	2028
Total	**22,610,209**	**11,071**	

* Outstanding interest is recognised in Short-term payables – controlled or controlling entity line, refer to Note 7(b).

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Logistics International, a.s.	109,030	-	2027
EP Power Europe, a.s.	3,711,600	166,565	2024
EP Power Europe, a.s.	482,300	-	2025
Total	**4,302,930**	**166,565**	

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

B RECEIVABLES – ASSOCIATES

31 DECEMBER 2023

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
Slovenské elektrárne, a.s.	2,582,527	*	2027
Total	**2,582,527**		

* Outstanding interest is recognised as short-term under Short-term payables – associates, refer to Note 7(c).

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
Slovenské elektrárne, a.s.	2,444,658	*	2027
Total	**2,444,658**		

* Outstanding interest is recognised as short-term under Short-term payables – associates, refer to Note 7(c).

C SUNDRY RECEIVABLES

Sundry receivables include loans to non-related parties in the amount of CZK 444,615 thousand (2022: CZK 0 thousand) and other receivables from operating activities of CZK 7 thousand (2022: CZK 7 thousand) and receivables arising from positive fair values of derivatives of CZK 510,370 thousand described below (2022: CZK 535,550 thousand).

31 DECEMBER 2023

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2027	24,548
Currency forward	Bank no. 2	2024–2026	225,085
Currency forward	Bank no. 3	2027	73,515
Currency forward	Bank no. 4	2025	187,222
Total			**510,370**

31 DECEMBER 2022

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2027	29,196
Currency forward	Bank no. 2	2024–2026	234,033
Currency forward	Bank no. 3	2027	81,170
Currency forward	Bank no. 4	2025	191,151
Total			**535,550**

7. Short-term receivables

A TRADE RECEIVABLES

Trade receivables amount to CZK 760,903 thousand (CZK 1,169,206 thousand as of 31 December 2022). None of the trade receivables is due in more than five years as of the balance sheet date.

Short-term receivables also include intercompany debit advices resulting from provided guarantees in the amount of CZK 470,011 thousand (CZK 1,025,961 thousand as of 31 December 2022).

B RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

31 DECEMBER 2023

(in CZK thousand)

Counterparty	Principal	Outstanding interest
ABS PROPERTY LIMITED	162,077	-
EP Commodities, a.s.	-*	192,516
EP Logistics International, a.s.	775,246	230
EP Netherlands B.V.	-*	133,371
EP Power Europe, a.s.	29,033,758	4,075
EP Produzione S.p.A.	-	83,139
Total	**29,971,081**	**413,331**

* The principal is presented under long-term receivables – controlled or controlling entity, refer to Note 6(a).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest
ABS PROPERTY LIMITED	83,701	8,711
Adconcretum real estate Ltd.	102	-
EP Logistics International, a.s.	734,209	119
EP Power Europe, a.s.	21,452,101	49,436
EP Resources CZ a.s.	481,712	1,127
EPH Financing CZ, a.s.	1,163	-
Total	**22,752,988**	**59,393**

C RECEIVABLES – ASSOCIATES

31 DECEMBER 2023

(in CZK thousand)

Counterparty	Principal	Outstanding interest
Slovenské elektrárne, a.s.	-*	2,254
Total		**2,254**

* The principal is presented under Long-term receivables, Receivables – associates, see Note 6(b).

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest
Slovenské elektrárne, a.s.	-*	48,579
Total		**48,579**

* The principal is presented under Long-term receivables, Receivables – associates, see Note 6(b).

(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

D STATE – TAX RECEIVABLES

As of 31 December 2023, State – tax receivables include a receivable arising from value added tax of CZK 29,725 thousand (as of 31 December 2022: CZK 17,953 thousand) and a receivable arising from income tax prepayments made of CZK 489,999 thousand which was reduced by an income tax provision of CZK 54,307 thousand.

E SUNDRY RECEIVABLES

Sundry receivables primarily include loans granted to non-related entities in the amount of CZK 33,029 thousand (CZK 523,883 thousand as of 31 December 2022), other receivables from operating activities in the amount of CZK 17,366 thousand (CZK 35,349 thousand as of 31 December 2022) and receivables arising from positive fair value of derivatives in the amount of CZK 24,476 thousand as stated below (CZK 244,387 thousand as of 31 December 2022).

31 DECEMBER 2023

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2024	733
Currency forward	Bank no. 2	2024	13,311
Currency forward	Bank no. 3	2024	9,226
Currency swap	Bank no. 4	2024	1,206
Total			**24,476**

31 DECEMBER 2022

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2023	46,578
Currency swap	Bank no. 2	2023	89,116
Currency forward	Bank no. 3	2023	35,551
Currency forward	Bank no. 4	2023	7,083
Currency forward	Bank no. 5	2023	66,059
Total			**244,387**

F DEFERRED EXPENSES

As of 31 December 2023, deferred expenses mainly include deferred fees relating to bank loans of CZK 653,122 thousand (as of 31 December 2022: CZK 129,616 thousand).

8. Equity

As of 31 December 2023, the Company’s share capital amounts to CZK 4,000,000 thousand; it comprises 4,000,000 pieces of ordinary registered shares in certificated form in the nominal value of CZK 1,000.

The change in gains or losses from the revaluation of assets and liabilities is due to foreign exchange differences arising from the revaluation of foreign currency shareholdings.

On 15 May 2023, the General Meeting of the Company decided to transfer the profit for the year 2022 to the retained earnings.

In May, June, September, October and December 2023, the General Meeting of the Company decided to declare the dividends to its shareholders in the amount of CZK 54,122,949 thousand, which were offset against an assigned receivable and the remaining portion was paid in cash, except for the unpaid amount of CZK 5,830,000 thousand, refer to Note 11(f).

In December 2023, the Company decided to pay a profit share prepayment in the amount of CZK 28,449,291 thousand which was offset against an assigned receivable.

As of the date of approval of these financial statements, the proposal for distribution of the profit for the year 2023 has not yet been made. The proposal will be prepared by the Board of Directors for the Company’s shareholders and subsequently discussed and approved by the General Meeting.

In 2023, the Company did not acquire treasury shares or ownership interests.

9. Income tax provision

As of 31 December 2023, the income tax provision is reduced by prepayments made presented under Short-term receivables – state – tax receivable, refer to Note 7(d).

As of 31 December 2022, the Company created an income tax provision of CZK 629,501 thousand, which was reduced by prepayments made of CZK 163,620 thousand.

10. Long-term payables

A OTHER BONDS

31 DECEMBER 2021

(in CZK thousand)

Bond	Principal	Outstanding interest	Due date
Bond no. 1	1,236,250	16,813	2025
Bond no. 2	247,250	6,142	2026
Bond no. 3	482,138	1,213	2026
Bond no. 4	250,000	9,503	2025
Bond no. 5	200,000	7,556	2025
Total	**2,415,638**	**41,227**	

31 DECEMBER 2022

(in CZK thousand)

Bond	Principal	Outstanding interest	Due date
Bond no. 1	1,205,750	16,398	2025
Bond no. 2	241,150	3,387	2024
Total	**1,446,900**	**19,785**	

The bond has no prospectus and is not listed in any public market.

Outstanding interest of CZK 41,227 thousand (as of 31 December 2022: CZK 19,785 thousand) is presented in short-term payables on the line 'Other bonds', refer to Note 11(a).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

B PAYABLES TO CREDIT INSTITUTIONS

31 DECEMBER 2023

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	1,236,250	7,995	• None	2025
Bank no. 2	2,472,500	1,688	• None*	2026
Bank no. 3	1,854,375	1,008	• None*	2025
Bank no. 4	1,854,375	10,675	• None*	2026, 2028
Bank no. 5	1,730,750	19,722	• None*	2025
Bank no. 6	61,708,118	54,448	• None*	2025, 2026, 2028
Total	**70,856,368**	**95,536**		

* Procedurally secured by a blank promissory note.

As of 31 December 2023, outstanding interest of CZK 95,536 thousand is presented in short-term payables to credit institutions, refer to Note 11(b).

31 DECEMBER 2022

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	1,205,750	4,445	• None	2025
Bank no. 2	2,411,500	3,692	• None*	2026
Bank no. 3	1,205,750	6,924	• None*	2024
Bank no. 4	2,411,500	3,778	• None*	2024
Bank no. 5	24,115,000	106,978	• None*	2024
Bank no. 6	3,617,250	5,175	• None*	2024
Bank no. 7	6,201,600	33,552	• None*	2024
Bank no. 8	1,808,625	6,426	• None*	2025
Total	**42,976,975**	**170,970**		

* Procedurally secured by a blank promissory note.

As of 31 December 2022, outstanding interest of CZK 170,970 thousand is presented in short-term payables to credit institutions, refer to Note 11(b).

C PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2023

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EPH Financing CZ, a.s.	7,500,000	-*	2025
EPH Financing CZ, a.s.	2,400,000	-*	2027
EPH Financing International, a.s.	12,362,500	-*	2028
EPH Financing International, a.s.	120,000	89	2028
Total	**22,382,500**	**89**	

* The outstanding interest is presented in 'Short-term payables – controlled or controlling entity', refer to Note 11(e).

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Produzione S.p.A.	9,646,000	-*	2025
EPH Financing CZ, a.s.	7,500,000	-*	2025
EPH Financing CZ, a.s.	2,400,000	-*	2027
Total	**19,546,000**		

* The outstanding interest is presented in 'Short-term payables – controlled or controlling entity', refer to Note 11(e).

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

D SUNDRY PAYABLES

As of 31 December 2023, long-term sundry payables include fair value of derivatives in the amount of CZK 179,871 thousand.

31 DECEMBER 2023

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward, interest SWAP	Bank no. 1	2025, 2028	39,891
Currency forward	Bank no. 2	2025, 2026	117
Interest swap	Bank no. 3	2028	139,863
Total			**179,871**

As of 31 December 2022, long-term sundry payables include a financial aid in the amount of CZK 37,000 thousand which was settled in 2023.

11. Short-term payables

A OTHER BONDS

As of 31 December 2023, other bonds only include unsettled bond interest in the amount of CZK 41,227 thousand (as of 31 December 2022: CZK 19,785 thousand), the principal of which is presented in other bonds.

The bonds do not have a prospectus and are not listed on any public market.

B PAYABLES TO CREDIT INSTITUTIONS

As of 31 December 2023, short-term payables to credit institutions include the principal and interest presented below, as well as unsettled interest on the principal of long-term payables to credit institutions presented in Note 10(b) in the amount of CZK 95,536 thousand (as of 31 December 2022: CZK 170,970 thousand).

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

31 DECEMBER 2023

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	1,236,250	10,063	• None	2024
Bank no. 2	469,775	3,024	• None	2024
Total	**1,706,025**	**13,087**		

31 DECEMBER 2022

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	482,300	1,236	• None	2023
Bank no. 2	3,858,400	2,755	• None	2023
Bank no. 3	434,070	2,199	• None	2023
Bank no. 4	2,411,500	747	• None	2023
Total	**7,186,270**	**6,937**		

C TRADE PAYABLES

None of the trade payables is due in more than five years as of the balance sheet date; none of them are past due.

D SHORT-TERM BILLS OF EXCHANGE TO BE PAID

31 DECEMBER 2022

(in CZK thousand)

Bill holder	Nominal value	Interest
Bills maturing in 2023	5,024,300	109,222
Total	**5,024,300**	**109,222**

E PAYABLES – CONTROLLED OR CONTROLLING ENTITY

As of 31 December 2023, the short-term payables – controlled or controlling entity include the principal and interest presented below, as well as payables arising from assignments in the total amount of CZK 28,449,291 thousand to EP Power Europe, a.s.

31 DECEMBER 2023

(in CZK thousand)

Counterparty	Principal	Outstanding interest
EP France S.A.S	14,769,106	146,098
EP Mehrum GmbH	15,966,520	343,370
EP Power Europe, a.s.	8,687,809	314,886
EP Resources CZ a.s.	298,454**	-
EPH Financing CZ, a.s.	30,000	3,789
EPH Financing CZ, a.s.	-*	96,563
EPH Financing CZ, a.s.	-*	70,400
EPH Financing International, a.s.	-*	110,382
EPH Financing SK, a.s.	9,053	335
Total	**39,760,942**	**1,085,823**

* The amounts of loan principal are presented in 'Long-term payables – controlled or controlling entity', refer to Note 10(c).

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest
EP France S.A.S	6,687,932	35,035
EP Mehrum GmbH	4,684,681	193
EP Power Europe, a.s.	5,592,498	7,318
EP Produzione S.p.A.	-*	96,259
EPH Financing CZ, a.s.	30,000	1,703
EPH Financing CZ, a.s.	-*	96,563
EPH Financing CZ, a.s.	-*	70,400
EPH Financing SK, a.s.	9,705	244
Nadace EP Corporate Group	300,000	-
Total	**17,304,816**	**307,715**

* The amounts of loan principal are presented in 'Long-term payables – controlled or controlling entity', refer to Note 10(c).

F PAYABLES TO SHAREHOLDERS

As of 31 December 2023, the payables to shareholders include an unpaid dividend in the amount of CZK 5,830,000 thousand declared on 21 December 2023, which will be paid by the end of March 2024.

G ESTIMATED PAYABLES

Estimated payables primarily include uninvoiced expenses from the insurance company in the amount of CZK 9,523 thousand (CZK 8,617 thousand as of 31 December 2022).

H SUNDRY PAYABLES

As of 31 December 2023, sundry short-term payables include the liabilities arising from fair value of derivatives in the amount of CZK 166,625 thousand (CZK 67,785 thousand as of 31 December 2022) and other trade payables of CZK 410 thousand (CZK 457 thousand as of 31 December 2022.

31 DECEMBER 2023

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2024	28,484
Currency forward	Bank no. 2	2024	27,271
Currency forward	Bank no. 3	2024	20,064
Currency forward	Bank no. 4	2024	33,207
Currency forward	Bank no. 5	2024	17,277
Currency forward	Bank no. 6	2024	40,322
Total			**166,625**

31 DECEMBER 2022

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2023	25,690
Currency forward	Bank no. 2	2023	42,095
Total			**67,785**

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
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Year ended 31 December 2023
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

12. Revenues/Incomes and Expenses/Costs

The increase in revenues was influenced by centralised intercompany services provided, mainly in the area of controlling, financial management, legal advisory, central procurement, and information technologies.

Services relate especially to costs of accounting, audit, consolidation, legal and notary services, travel expenses and rents.

Sundry operating income includes income from re-invoicing as well as income from the assignment of receivables to the Company's shareholders in the total amount of CZK 47,415,485 thousand.

Receivables from assigned receivables were settled by offsetting against the liability for profit share payments.

Sundry operating expenses include costs from re-invoicing as well as costs from assigned receivables from EP Power Europe, a.s. in the total amount of CZK 47,415,485 thousand.

The liabilities from the assigned receivables were partially settled by offsetting against the receivable from the profit share prepayment in the total amount of CZK 18,966,194 thousand.

Income from equity investments – controlled or controlling entity includes income from declared dividends and profit share prepayments of EP Power Europe, a.s. in the total amount of CZK 43,621,694 thousand and income from the sale of equity investments (refer to Note 5) amounted to CZK 1,903 thousand.

Other financial expenses and other financial income primarily include foreign exchange losses, losses from revaluation and settlement of derivatives and banking fees, and foreign exchange gains, gains from revaluation and settlement of derivatives and revenues from guarantees.

13. Related parties (except for balances presented above)

In compliance with Section 39b (8) of Decree No. 500/2002 Coll., the Company does not disclose transactions (revenues and expenses) between related entities within EPH Group that are wholly owned by the Company.

In addition to revenues from re-invoicing and revenue/income described in detail in the other notes above, the Company reported the following income from related parties which are not fully owned by the Company:

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

(in CZK thousand)

	Revenues 2023	Expenses 2023	Revenues 2022	Expenses 2022
Interest income / expenses	252,576	-	410,195	-
Other operating income / expenses	9,230	34,000	-	-
Other financial income / expenses	147,126	-	571,868	2
Total	**408,932**	**34,000**	**982,063**	**2**

14. Employees and executives

As of 31 December 2023, the Company had 51 employees (52 employees in 2022). The members of the Board of Directors and the Supervisory Board received no remuneration or loans in relation to their function.

Social security and health insurance liabilities are not overdue.

15. Fees payable to statutory auditors

This information is disclosed in the notes to the consolidated financial statements as of and for the year ended 31 December 2023.

16. Income tax

A CURRENT TAX

The Company created a provision for income tax for the year 2023 in the amount of CZK 54,307 thousand. This reduced the income tax prepayments in the amount of CZK 489,999 thousand and the resulting receivable in the amount of CZK 435,692 thousand was recognised in State – tax receivables (31 December 2022: net provision for income tax in the amount of CZK 465,881 thousand). The amount of CZK 77,292 thousand recognised in the profit and loss account represents the provision created for 2023 and the difference between the tax liability for 2022 and the release of the provision created at as of December 2022.

17. Significant off-balance sheet transactions

The Company has received commitments from bank institutions of up to CZK 40,817,012 thousand (CZK 8,300,988 thousand as of 31 December 2022).

The Company recognises receivables in the amount of CZK 45,794,058 thousand (CZK 21,513,865 thousand as of 31 December 2022) and payables in the amount of CZK 45,904,803 thousand (CZK 21,177,494 thousand as of 31 December 2022) related to currency derivatives presented in off-balance sheet accounts. These receivables and payables represent nominal values of closed derivative transactions performed as of 31 December 2023.

The Company guarantees all liabilities related to bonds issued by EPH Financing CZ, a.s. and EPH Financing International, a.s. The bonds issued by EPH Financing CZ, a.s. as of 31 December 2023 amounted to CZK 9,900,000 thousand (CZK 9,900,000 thousand as of 31 December 2022) and bonds issued by EPH Financing International, a.s. amounted to CZK 12,362,500 thousand (CZK 0 thousand as of 31 December 2022).

As the parent company of the whole EPH Group, the Company issues guarantees for the liabilities of its subsidiaries and associates up to the cumulated amount of CZK 165,421,811 thousand (CZK 173,728,661 thousand as of 31 December 2022) in favour of third-party beneficiaries.

18. Material subsequent event

On 19 January 2024, the Company paid a dividend to its shareholders in the amount of EUR 15,433 thousand (CZK 382,943 thousand).

On 24 January 2024, the Company paid a dividend to its shareholders in the amount of EUR 143,000 thousand.

On 23 February 2024, the Company paid a dividend to its shareholders in the amount of 64,200 thousand.

On 29 February 2024, the Company, as the sole shareholder of EP Power Europe, a.s., approved the payment of a dividend in the total amount of EUR 1,150,675 thousand.

On 15 March 2024, the Company declared and paid to its shareholders a dividend prepayment in the amount of EUR 390,000 thousand.

Based on the amendment to Regulation No. 500/2002 Coll., the Company has analysed the primary economic environment in which the Company operates. Based on the analysis, the Company determined that its functional currency is the euro. Accordingly, the Company switched from the historically used functional currency of CZK to the new functional currency of EUR as of 1 January 2024.

The Company is part of a multinational group of entities subject to the new minimum 15% taxation rules introduced under Pillar Two of the BEPS 2.0 initiative from 2024. The related legislation was enacted shortly before the date of the financial statements. At the same time, legislators are still issuing further guidance affecting the implications of the Pillar Two legislation. As a result, the Group and the Company were still in the process of assessing potential income tax exposure under Pillar Two as at 31 December 2023. Any significant income tax exposure under Pillar Two is currently unknown or cannot be reliably estimated or measured. The Company, in cooperation with the Group, continues to actively monitor developments in legislation relating to Pillar Two and assesses any potential impact of Pillar Two.

Apart from the matters disclosed above and elsewhere in these notes to the financial statements, management is not aware of any other material subsequent events that would have an impact on the financial statements as of 31 December 2023.

Prepared on: 18 March 2024

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors

www.epholding.cz