EPH 2022 **Annual Report**

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Infrastructure/ Generation/ Logistics

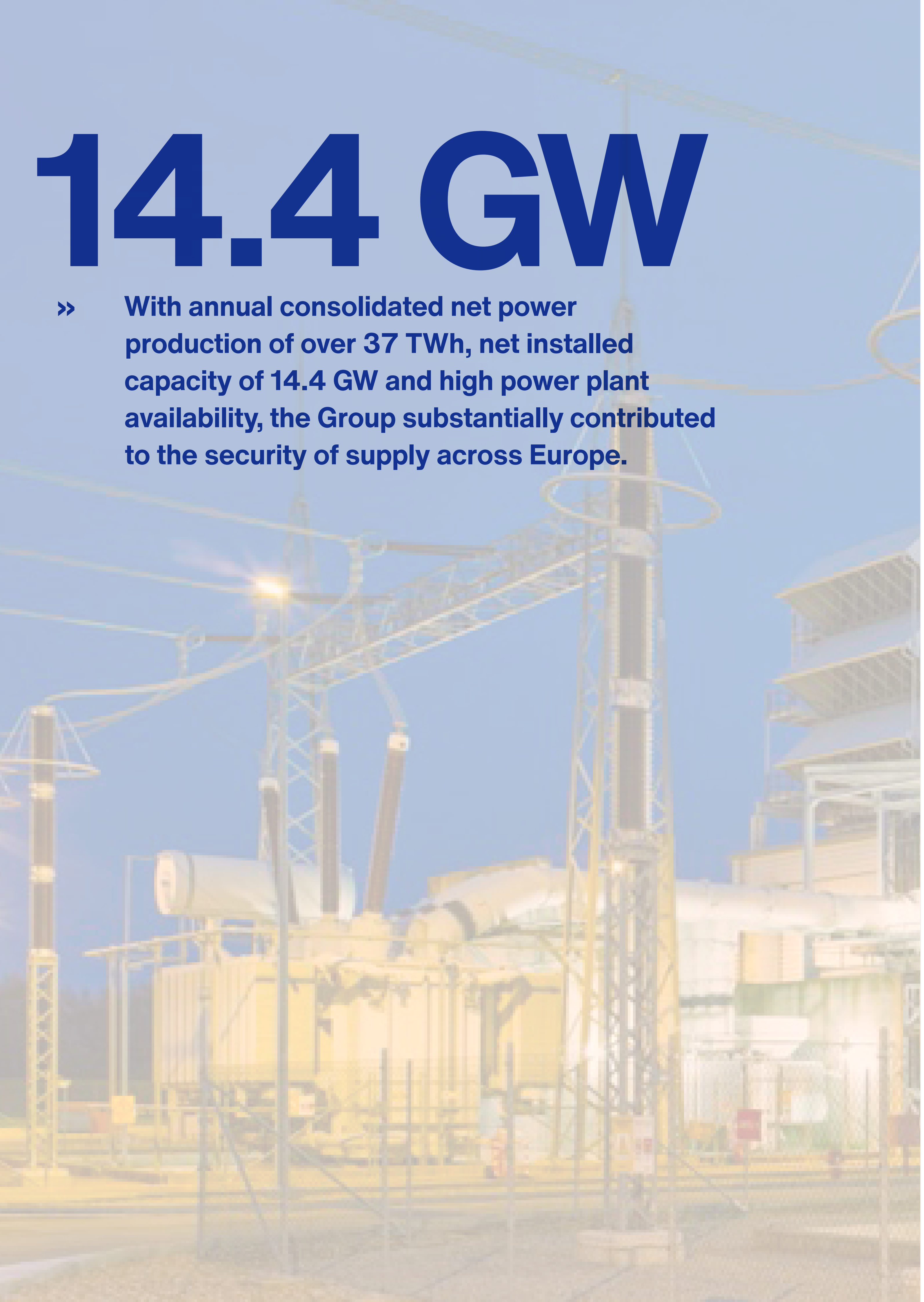
EPH

Energetický a průmyslový holding, a.s.

Consolidated and Single Report for the Year Ended 31 December 2022

Annual Report 2022

Content



14.4 GW

» **With annual consolidated net power production of over 37 TWh, net installed capacity of 14.4 GW and high power plant availability, the Group substantially contributed to the security of supply across Europe.**

General part

EPH

Financial and Operational Highlights of the Year

		2022	2021 restarted	2020
INCOME STATEMENT				
Revenues	€ million	37,122	18,956	8,531
Gross profit[1]	€ million	7,484	4,360	3,636
Earnings before interest, taxes, depreciation and amortization (Underlying EBITDA)[2]	€ million	4,346	2,286	2,150
Earnings before interest and tax (EBIT)[3]	€ million	3,472	1,522	1,376
Net financial income (expense)	€ million	192	(56)	(313)
Profit before income tax	€ million	4,666	1,491	1,976
Profit for the year	€ million	3,791	1,227	1,656
BALANCE SHEET				
Total assets	€ million	30,452	25,189	18,052
Equity total	€ million	7,130	4,903	5,387
Net working capital[4]	€ million	2,187	2,485	577
Net financial debt[5]	€ million	4,910	4,611	4,361
CASH FLOW STATEMENT				
Cash flow from operating activities	€ million	3,715	1,944	2,047
Cash flow from investing activities	€ million	(2,619)	(1,106)	396
Cash flow from financing activities	€ million	(588)	(99)	(1,932)
Change in cash and cash equivalents	€ million	508	739	511
Cash and cash equivalents	€ million	3,010	2,497	1,753
Capital expenditures (CAPEX)[6]	€ million	752	441	404
Income tax paid	€ million	407	416	438
Free Cash flow (FCF)[7]	€ million	3,187	1,429	1,308

		2022	2021 restarted	2020
RATIOS				
Net leverage[8]	×	1.1×	2.0×	2.0×
Cash conversion[9]	%	73.33%	62.51%	60.84%
Operating KPIs				
Average number of employees	#	10,420	10,564	11,281
Net installed capacity[10]	MW	11,821	11,131	11,594
Net power production	TWh	37.0	39.8	38.1
Emission intensity	t CO_2/GWh	570	493	461

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) + Current income tax receivable – Trade payables and other liabilities (non-current and current) – Current income tax liability
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 less emission allowances, additions to right of use assets plus advances paid for tangible and intangible assets
7 Free Cash flow is defined as Underlying EBITDA less CAPEX less Tax paid
8 Net leverage = Net financial debt / Underlying EBITDA
9 Cash conversion = (Underlying EBITDA – CAPEX – 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 Mehrum is included despite the plant was put back into operation at the request of the German government. On the other hand, the Group has been investing into new low emission power plants in Italy and Northern Ireland and is considering launching additional market-critical gas projects in the UK and Republic of Ireland and also a battery storage project in the UK. An installed capacity of those projects above (all of them hydrogen-ready) is approx. 4.4 GW plus 299 MW of battery storage.

» **EPH honoured its commitment and responded immediately and flexibly to the needs of customers, regulators, and governments.**

Daniel Křetínský Chairman of the Board of Directors

EPH

Introduction by the Chairman of the Board of Directors

Dear Stakeholders,

As in every spring over the last decade, I am introducing you to the EPH Annual Report for the past financial year.

We have lived through the most challenging year in the Group's history. Following the Russian attack on Ukraine, energy markets faced unprecedented volatility and became virtually unpredictable. Later in the year, the situation further deteriorated by a material decrease of availability of the French nuclear fleet. I am proud to say that in this environment, the Group displayed high degree of resilience and stability and always delivered.

Commitment to Reliable Supply. As owner and operator of critical energy infrastructure, our first and foremost objective and responsibility is to guarantee security of supply to countries, communities and individuals under any circumstances. EPH honoured its commitment and responded immediately and flexibly to the needs of customers, regulators and governments as and when they came.

Resilient Business Model. The high volatility of commodity prices coupled with the unfortunate set-up of the European energy market infrastructure and fluid regulatory environment have put to test the business models and risk and liquidity management of most utility businesses across Europe. The Group overcame all challenges successfully and at the end of 2022, reported a Cash and cash equivalents and committed undrawn facilities at the level of EUR 4.6 billion as a liquidity reserve. This was only possibly thanks to the diversified nature of the Group's assets, negatively correlated businesses within the Group, conservative financial and risk policies, prudent management, but most importantly thanks to our committed employees.

Financial Performance. The consolidated EBITDA[1] of the Group reached EUR 4,346 million and consolidated Free Cash Flow[2] amounted to EUR 3,187 million. The increase was driven largely by power generation and gas storage businesses. The total CAPEX spent by the Group equalled EUR 752 million. As of year-end, the consolidated Net Leverage[3] did not exceed 1.1×, being lowest in the Group's history and one of the lowest among the Group's peers. For financial year 2022, the Group companies are contributing a total of EUR 2,253 million in income taxes (including windfall taxes) to state budgets and for a consumption of CO_2 allowances.

BUSINESS PERFORMANCE

Power Generation. With annual consolidated net power production of over 37 TWh, net installed capacity of 14.4 GW[4] and high power plant availability, the Group substantially contributed to the security of supply across Europe. Our long-term strategy is to further enhance our generation fleet and contribute both to increasing security of supply in regions with market imbalances and to replacing less environmentally friendly power generation facilities via development of best-in-class and environmentally friendly low-to-zero emission and hydrogen-ready power generation capacities.

Gas Storage. Last year fully uncovered the paramount importance of the gas storage business for the security of supply. The gas storage plays crucial role in mitigating gas supply disruptions and seasonal volatility with winter peaks. Our storage capacity of over 64 TWh played strategic role in the turbulent market. We continue to invest in the operational security, storage technology modernisation, automation enhancement and utilisation of collected information to optimise the storage processes.

Gas and Power Distribution. The gas distribution business, led by SPP Distribúcia, distributed 48 TWh of natural gas, which was less than the long-term average in Slovakia. The decline was driven by mild weather conditions coupled with both industrial and household demand reduction. This is consistent with the development across Europe where the estimated decline reached 12% as compared to average in the period between 2019 and 2021. Stredoslovenská distribučná, the Slovak electricity distribution company, distributed 6.3 TWh of electricity, representing small decline as compared to previous year.

Gas transmission. Eustream, the Slovak gas transmission system, transported 26 billion cubic metres of natural gas, which was 37% less year-on-year. Reduced gas flows and gas in-kind hedging weighted on eustream's performance in 2022. Despite the reshape of natural gas flows in Europe, eustream continues to hold an irreplicable position, further cemented by interconnection of eustream's network with all neighbouring countries. Its unique asset base makes it best placed for future development of hydrogen infrastructure and playing a leading role in this area.

Heat Infra. Performance of the heat infra business was favourably affected by high power spreads that drove both power production and grid-balancing services. We maintained power production on the level of 2.5 TWh, comparable to previous year, and confirmed our position as a major power producer in the Czech Republic and important contributor to transmission network stability.

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 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.
4 Pro forma for the Dutch acquisitions already closed or to be closed in 2023.

NEW PROJECTS AND ACQUISITIONS

We continue to invest heavily into state-of-art power generation facilities. Among the most important projects, I can point to the Tavazzano and Ostiglia gas power plant projects with a capacity of 800 MW and 880 MW respectively and the Kilroot open-cycle-gas-turbine power plant in the Northern Ireland with a capacity of almost 700 MW, scheduled to stand-by as a capacity reserve to support the development of zero-emission power generation. We consider launching additional market-critical new-built gas development projects in the UK and in the Republic of Ireland. All these projects together represent an investment of ca. EUR 2.3 billion and a total installed capacity of 4.4 GW (plus additional 299 MW battery capacity). All of those hydrogen-ready, highly efficient gas fired power plants which are flexible in generation, and low in emissions.

On top of new project development, we keep on the look for acquisition opportunities. Most recently, we acquired equity interest in two gas-fired power plants in the Netherlands with total installed capacity of almost 1.7 GW, completed in January 2023, and additional two gas-fired power plant acquisition project is soon to be closed.

ENVIRONMENTAL COMMITMENTS

Our ultimate mission in EPH is to support energy transition by providing flexible and highly efficient zero or low carbon power generation capacities to secure stability of the electricity grid in hours when renewable power is not available.

Another cornerstone of our strategy it to carry out true energy transition and transformation of carbon intensive assets in our portfolio in a socially responsible way. We are mindful of our employees, the needs of regions and countries we operate in, and the requirement of, or basic right to, affordability of power and other essential commodities and services for the general public.

To accomplish 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 group. EP Energy Transition group will gradually consist of participations mainly in our German assets concentrated within LEAG and JTSD group. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 7 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.

I am convinced that in the long term, hydrogen will play a key role in the energy future of Europe. The operation of integrated gas infrastructure – transmission, storage, distribution and hydrogen ready flexible power generation – endows us with the natural position to develop hydrogen solutions and to be an active participant in converting Europe into a hydrogen economy. We are determined to lead this process.

To conclude, I would like to express my thanks to all our employees across the segments and countries for their commitment and hard work, as well as to our investors, financiers and business partners who have been participating in the implementation of our strategy, for placing their trust in EPH. Our teams are the key asset and strength of our Group. Their skills, expertise, personal and collective contributions lead to the success we achieved this year. We remain committed to executing our strategy in the years to come and stand firm as a partner which countries, communities and individuals can rely on.

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 2022

ACQUISITIONS AND DISPOSALS

EP LOGISTICS INTERNATIONAL CLOSING STRATEGIC PARTNERSHIP AGREEMENT WITH SLOVENIAN SŽ D.O.O.

On 14 January 2022, EP Logistics International, a.s. ("EPLI") has entered in 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 joint venture and EPLI has contributed the agreed amount of money. The joint venture 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 joint venture, 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.

EP POWER MINERALS STRENGTHENING ITS ABRASIVE BUSINESS VIA ACQUISITION OF THOSE ACTIVITIES FROM SCR-SIBELCO

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.

EPH'S REAL ESTATE DIVISION HAS BEEN SEPARATED FROM THE GROUP AND NOW FORMS PART OF THE PARENT EP CORPORATE GROUP

EP Real Estate ("EPRE"), which manages the real estate assets of EPH, is from 22 December 2022 part of the parent EP Corporate Group, which holds 56% of EPRE. The remaining 44% is controlled by J&T CAPITAL PARTNERS. It is therefore the same ownership structure as, for example, EPH (energy) or EC Investments (e-commerce and retail).

SELECTED EVENTS THAT OCCURRED AFTER THE REPORTING DATE

EPH ENTERS THE DUTCH MARKET BY ACQUIRING TWO GAS FIRED POWER PLANTS

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 800 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. With a total installed capacity of 1.670 MW, EPH becomes a relevant player in the Dutch energy market, with approximately 7,5% share on total conventional installed capacity which will ensure a stable supply of energy in the ongoing complex energy transition.

EPH CONSIDERS TO BUILD A NEW GAS-FIRED POWER PLANT AND BATTERY STORAGE FACILITY IN THE UK AT A COST OF MORE THAN €1 BILLION

In February 2023 EPH, through its subsidiary EP UK Investments Ltd. (EPUKI), has successfully obtained provisional 15-year new build contracts for a combined 1,700 MW high efficiency H-class CCGT power project and a 299 MW 2-hour battery storage project at the site of the former Eggborough coal station in East Yorkshire.

The site was acquired by EPH in 2015 as part of its acquisition of Eggborough Power Ltd., a former 2,000 MW coal plant that was decommissioned in 2018.

Subject to Final Investment Decision, these projects will provide a major contribution to the provision of indigenous generation and energy security through the 2020s and into the 2030s.

The high efficiency H-class CCGT project will be the single largest flexible generation asset to be commissioned in the UK since 2012, whilst the battery project will also be one of the largest to be built in the UK to date. Given the site's close proximity to existing National Grid infrastructure and a number of proposed CCUS and hydrogen pipeline routes, under EPUKI's plans these projects will make a significant contribution to the UK's energy transition and security for years to come.

These contracts were awarded as part of the Capacity Market auction for the 2026/2027 Delivery Year held on 21st February. The provisional clearing price, subject to Secretary of State approval, was £63/kW.

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 2022.

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.

Gas transmission capacity in 2022 was 62.5 bcm (entry bookings). The volume of transited gas was 26.3 bcm, representing a decrease of 37% (41.6 bcm in 2021).

In segment of Gas and Power Distribution, EPH Group distributed 48.3 TWh of gas representing a decrease of 18% (59.2 TWh in 2021) and 6.3 TWh of power representing a decrease of 1% (6.4 TWh in 2021).

The Group supplied 7.9 PJ of heat (8.8 PJ in 2021). 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 10% in 2022 is driven by mild weather conditions in Czech Republic.

KPI	Unit	2022	2021	2022 - 2021	%
Performance of EPH infrastructure assets					
Gas Transmission Booked Capacity*	bcm	62.5	73.7	(11.2)	(15%)
Gas Transmission Flows	bcm	26.3	41.6	(15.3)	(37%)
Gas Storage Capacity	TWh	64.3	64.2	0.1	0%
Gas Distribution	TWh	48.3	59.2	(10.9)	(18%)
Power Distribution	TWh	6.3	6.4	(0.1)	(1%)
Heat Supply	PJ	7.9	8.8	(0.9)	(10%)

* Represents entry capacity bookings.

PERFORMANCE OF POWER GENERATION ASSETS

Power generation assets represent younger part of EPH portfolio, which developed in past years to second solid pillar of EPH operations providing diversification to its operations, with majority of these are bundled under EPPE Group. EPH Group consolidates 11.8 GW of net installed power capacity (11.1 GW in 2021). The capacities generated 37.0 TWh of power (39.8 TWh in 2021). Further, the Group closed or is about to close acquisitions of Dutch power plants with net installed capacity of 2.6 GW. Pro-forma installed capacity of EPH will then be 14.4 GW.

EPIF Group consolidates 1.0 GW of net installed power capacity (1.0 GW in 2021) 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 2.6 TWh of power (2.6 TWh in 2021).

EPPE Group consolidates 10.8 GW[5] of net installed power capacity in Germany, the UK, Ireland, France, and Italy (10.2 GW in 2021). These assets generated 34.4 TWh of power (37.3 TWh in 2021). The 8% decrease is driven by lower generation in Italy and the UK due to outages on our gas power plants. On the other hand, an increase of generation in the French market was a result of higher running of hard coal asset which was put back into operation in Summer 2022 at the behest of the French government in order to ensure stability of the grid. An increase of generation in Germany was caused by the acquisition of Schkopau (lignite) power plant in Germany on 30 September 2021 as a result of the historical agreements with the seller (Uniper).

KPI	Unit	2022	2021	2022 - 2021	%
Net installed capacity – Electricity – Total					
EPIF Group					
Czech Republic	MW	900	900	–	–%
Slovakia	MW	68	68	–	–%
Total – EPIF Group	**MW**	**968**	**968**	–	**–%**
EPPE Group					
Germany	MW	1,628	938	690	74%
France	MW	837	837	–	–%
Ireland	MW	384	384	–	–%
UK	MW	4,014	4,014	–	–%
Italy	MW	3,989	3,989	–	–%
Total – EPPE Group	**MW**	**10,853**	**10,163**	**690**	**7%**
Total – EPH Group	**MW**	**11,821**	**11,131**	**690**	**6%**

5 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 Mehrum is included despite the plant was put back into operation at the request of the German government. On the other hand, the Group has been investing into new low emission power plants in Italy and Northern Ireland and is considering launching additional market-critical gas projects in the UK and Republic of Ireland and also a battery storage project in the UK. An installed capacity of those projects above (all of them hydrogen-ready) is approx. 4.4 GW plus 299 MW of battery storage.

KPI	Unit	2022	2021	2022 - 2021	%
Net power production – Total					
EPIF Group					
Czech Republic	TWh	2.5	2.5	0.0	1%
Slovakia	TWh	0.0	0.0	(0.0)	(14%)
Total – EPIF Group	**TWh**	**2.6**	**2.6**	**0.0**	**0%**
EPPE Group					
Germany	TWh	5.2	2.5	2.6	104%
France	TWh	1.5	0.8	0.7	83%
Ireland	TWh	1.6	1.9	(0.3)	(16%)
UK	TWh	11.4	15.2	(3.8)	(25%)
Italy	TWh	14.7	16.8	(2.1)	(13%)
Total – EPPE Group	**TWh**	**34.4**	**37.3**	**(2.9)**	**(8%)**
Total – EPH Group	**TWh**	**37.0**	**39.8**	**(2.9)**	**(7%)**

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 12.7 GW of net installed power capacity (12.6 GW in 2021) and generated 63.2 TWh of power (64.2 TWh in 2021). Major share of this is represented by LEAG Group and Slovenské elektrárne Group.

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.

To accomplish 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 group. EP Energy Transition group will gradually consist of participations mainly in our German assets concentrated within LEAG and JTSD group. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 7 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.

In December 2022, EPH received a strong ESG Risk rating of 21.3 from Morningstar Sustainalytics, which is improvement from previously received 22.0 in last year and put EPH on 17th position in 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 22.8 million tons of CO_2 emissions (21.3 million tons in 2021) with intensity of 570 ton CO_2/GWh (493 ton CO_2/GWh in 2021). 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 3.4 million tons of CO_2 emissions (3.5 million tons in 2021) with intensity of 646 ton CO_2/GWh (619 ton CO_2/GWh in 2021).

EPPE Group produced 19.4 million tons of CO_2 emissions (17.9 million tons in 2021) with intensity of 559 ton CO_2/GWh (475 ton CO_2/GWh in 2021). The overall increase in CO_2 emissions volume is primarily driven by the acquisition of Schkopau (lignite) power plant in Germany on 30 September 2021 as a result of the historical agreements with the seller (Uniper) and higher running of hard coal assets (Emile Huchet 6 and Mehrum) which were put back into operation at the behest of the German and French governments in order to ensure stability of the grid.

KPI	Unit	2022	2021	2022 - 2021	%
Direct GHG Emissions (Scope 1)					
EPIF Group					
Czech Republic	million tons CO_2 eq.	3.3	3.3	(0.0)	(1%)
Slovakia	million tons CO_2 eq.	0.1	0.2	(0.1)	(49%)
Germany	million tons CO_2 eq.	0.0	0.0	(0.0)	(34%)
Total – EPIF Group	**million tons CO_2 eq.**	**3.4**	**3.5**	**(0.1)**	**(3%)**
EPPE Group					
Germany	million tons CO_2 eq.	5.7	3.2	2.5	78%
France	million tons CO_2 eq.	1.0	0.5	0.5	87%
Ireland	million tons CO_2 eq.	0.7	0.8	(0.1)	(15%)
UK	million tons CO_2 eq.	4.9	5.7	(0.9)	(15%)
Italy	million tons CO_2 eq.	7.2	7.6	(0.4)	(6%)
Total – EPPE Group	**million tons CO_2 eq.**	**19.4**	**17.9**	**1.6**	**9%**
Total – EPH Group	**million tons CO_2 eq.**	**22.8**	**21.3**	**1.5**	**7%**

KPI	Unit	2022	2021	2022 - 2021	%
Emission intensity – Including heat component					
EPIF Group					
Czech Republic	ton CO_2 eq./GWh	649	623	26	4%
Slovakia	ton CO_2 eq./GWh	19	17	2	15%
Total – EPIF Group	**ton CO_2 eq./GWh**	**646**	**619**	**26**	**4%**
EPPE Group					
Germany	ton CO_2 eq./GWh	1,048	1,137	(89)	(8%)
France	ton CO_2 eq./GWh	658	643	15	2%
Ireland	ton CO_2 eq./GWh	402	400	3	1%
UK	ton CO_2 eq./GWh	428	379	49	13%
Italy	ton CO_2 eq./GWh	487	451	35	8%
Total – EPPE Group	**ton CO_2 eq./GWh**	**559**	**475**	**84**	**18%**
Total – EPH Group	**ton CO_2 eq./GWh**	**570**	**493**	**77**	**16%**

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 2022 (0.2 mil in 2021).

In 2022, 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

The heating plants represent the 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 hydrogen ready gas-fired plants, biomass units and waste incinerator plants by 2030. The selected technologies will also be prepared for the combustion of emission-neutral synthetic gases or hydrogen once these are available on a commercial scale. The conversion projects are already in advanced preparatory phase with procurement process ongoing. The projects are expected to be 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 submitted.

Elektrárny Opatovice, a.s. aims to replace existing lignite units with less emission-intensive sources such as natural gas and potentially municipal waste, depending on discussions with local authorities. The modernization of the generation source should take place by the end of 2030, which is in line with the EPIF coal exit commitment.

In 2022, United Energy, a.s. continued to focus on development plans in the area of diversification of the types of fuels used for the production of the main commodities (heat and electricity) and the preparation of a gradual decline in the use of coal. After refurbishment of former lignite boiler K6 for 100% biomass combustion in 2021, UE gradually increased share of biomass in the fuel mix, partly replacing lignite. UE also commenced preparatory works for commissioning of gas-fired turbines to replace existing lignite units around 2026. The first investments will be realized already during 2023. The gas units are planned to be complemented by a waste incinerator plant, for which a building permit has been already secured.

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 gas-fired units ready to partially accommodate renewable gases.

GAS INFRASTRUCTURE – ENERGY TRANSITION PLANS

Owing to its critical midstream and downstream gas 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 already 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. According to EU Regulation on gas and hydrogen networks, all TSOs shall accept gas flows with a hydrogen content of up to 5% by volume at interconnection points between Union Member States in the natural gas system from 1 October 2025. Eustream aims to be ready for 5% hydrogen blend 1 year ahead of this deadline. With the current volumes of natural gas transmission, Slovakia will be soon technologically ready to transport theoretically more than 2 bcm of hydrogen per year and thus to accommodate expected gradual increase in hydrogen supply/demand. 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. Eustream is a member of the Central European Hydrogen Corridor (CEGH) initiative, aiming to connect areas with potentially abundant hydrogen supply sources in Ukraine with large demand areas in Germany. EUS 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 H2I-S&D project 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 an appropriate location for storing hydrogen mixed with natural gas.

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. In October 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 our facilities allows us to comply with ever stricter air protection legislation, including compliance with 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, in particular 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, injecting ca 89 MWh of biomethane every day. The composition of biomethane is almost identical to natural gas, but unlike the fossil methane, biomethane is produced from local renewable materials such as poultry or livestock manure and various biodegradable waste. In the short term, SPPD expects to connect further biomethane stations once they are converted from existing biogas stations. The total potential of biomethane in Slovakia is estimated at almost 400 million cubic metres in the long term.

EPIF heating plants in the Czech Republic throughout the year complied with the conditions set in integrated permits of individual company premises. Emission limits for pollutants into the air and water set by the integrated permits for the operation of the facility were fulfilled during the year. EPIF Group enjoys a positive image in the market and significant level of political and public support resulting from the fact that several of its production facilities operate in a highly efficient combined cogeneration mode, whereby the otherwise wasted by-product of power generation, heat, is funnelled 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. As a result, EPIF saves energy, avoids network losses and improves the security of Europe’s internal energy supply.

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 occurring during the combustion process is subsequently used to supply heat to the territory of Pilsen city and for the production of electrical energy.

Services are not limited to the supply of and distribution of basic energy commodities but also aimed to educate 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. In 2020, Plzeňská teplárenská, a.s. launched a project focused on monitoring of energy consumption in selected kindergartens in the city of Pilsen with the goal to optimize their energy consumption and associated bills, the project continued in 2022 and is expected to spread to other public buildings.

Majority of the core companies within the EPIF Group have their environmental management systems certified to ISO 14001. These include certificate Plzeňská teplárenská, a.s., Elektrárny Opatovice, eustream, a.s., SPP - distribúcia, a.s., Stredoslovenská distribučná, a.s., Stredoslovenská energetika, a.s., NAFTA a.s. and POZAGAS a.s. In the EPPE Group, the ISO 14001 is held by Biomasse Crotone S.p.A., Biomasse Italia S.p.A., EP Ballylumford Limited, EP Kilroot Limited, EP Langage Limited, EP SHB Limited, EP Produzione S.p.A. (incl. its subsidiaries), Lynemouth Power Limited, Tynagh Energy Limited, Saale Energie GmbH, EP Power Minerals GmbH and MINERALplus GmbH.

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 low-emission sources and a gradual decommissioning of coal-fired power plants (e.g. Eggborough, Buschhaus, Provence 5 and Deuben) or their conversion into low-emission sources like was the case of coal-fired power plant Lynemouth which was converted into biomass-fired power plant in 2019. During 2022 we continued in our investment into Fiume Santo modernization, a hard coal power plant critical for power grid security in Sardinia. This necessary investment will improve air emissions.

Thorough 2022, the EPPE Group further invested 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.

To name few of many examples, in course of 2022, in France, Gazel Energie Group started activities supporting employees affected by coal closure resolution. The aim was to encourage these employees to undergo career re-focus training paid leave for several months, so they would be able to find another employment. Simultaneously, the Gazel Energie Group works on decommissioning of already closed sites (Provence 5 closed in April 2021, while Emile Huchet 6 was asked to operate again after previous decommissioning decision to ensure grid stability in connection with European energy crisis. 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 contains the possibility for EH6 to run 3,000 hours during the winter 2022/2023 and 1,500 hours during

the following winter. It also includes the obligation for Gazel Energie to offset CO_2 emissions through the voluntary carbon market, in addition to ETS obligations.

Similar situation occurred in Germany with Mehrum power plant. This grid reserve power plantsmust temporarily participate in the electricity market again 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. After the plant was expected to be shut down within the following 12 months in the first quarter, the opportunity to contribute to the grid stability arose in the middle of the year to return to the commercial power generation market. With considerable technology, personnel, and fuel supply efforts, it was possible to resume market operations as soon as possible.

Also, during 2022 Gazel Energie Group was working on repowering our older windfarms in France. This represents an investment of €35 million that will be done in 2023/2024 adding some 8 MW of installed capacity.

The Group continues to invest into a new, environmentally more friendly, development. For example, with 10-year capacity contracts awarded to Kilroot, the Group will be installing a set of two highly efficient OCGT turbines with a combined installed capacity of 700 MW, which is expected to be operational in 2023.

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

MIBRAG, which is active in Germany, is also undergoing gradual transformation, also in cooperation with EPNE. Firstly, at the end of 2021, Deuben power plant was closed down after 85 years of operation. Secondly, in connection with the gas motor-based combined heat and power plant (CHP) planned to be built at Profen Village, MIBRAG did several important steps in order to run a 32-meter-long dryer from 2022. It will use exhaust heat from the future gas motor-based CHP to dry chips of different natural wood qualities for use in various applications. The wood chips shall be co-burnt at Wählitz power plant to substitute part of the burned lignite. The gas motor-based CHP and wood dryer are one of the key elements of the MIBRAG's transformation project towards greener future. The dryer is planned to be taken into operation in March 2023.

Moreover, MIBRAG is active in establishing photovoltaic (PV) and wind projects mostly in areas that either already have been reclaimed or are currently under reclamation. PV installations are being planned to be completed consecutively in the second quarter of 2023 and the first half of 2024. At the beginning of 2022, permit applications for both wind farms were submitted and are expected to be granted in the first half of 2023.

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. To further strengthen its position in this area, EPH acquired STEAG Power Minerals (now EP Power Minerals) in 2021, a European leader in the provision of power plant by-products (especially fly ash and FGD gypsum) and expendable blasting abrasives, helping 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. In addition to that, in 2022 EP Power Grit group was formed partially from existing business of EP Power Minerals and partially from newly acquired companies. It specializes in abrasives and industrial minerals based on slags, minerals, glass and other raw materials. With extensive expertise helps customers in achieving perfect surface properties and preparing surfaces effectively.

Water quality is also under constant attention in all EPH's assets. For example, Tynagh's power plant discharges water into the Shannon region fisheries and fully complies with the strict limits in the area's discharge licence. There is also a full-time designated on-site water technician. To ensure the quality of the process and surface water discharge, it is all tested in the site's laboratory (with continuous monitoring – 24 hours a day, 7 days a week), and includes weekly internal and external certified analyses. Tynagh holds an Integrated Pollution Prevention and Control Licence (IPPCL) overseen by the Environmental Protection Agency (EPA), which guarantees full compliance with water discharge limits and environmental permits. EPA inspectors have previously commended the site for a "high level of environmental management on-site". The dewatering of the two large open pit mine areas in the south of Leipzig in Saxony/Germany is one of the key aspects for MIBRAG to run their mines economical and in a safe and proper way with an extraction of about 15 million tons of lignite. This goes within an amount of nearly 100 million m^3 of groundwater and surface water, which has to be pumped out of the open pits. Within the dewatering process of the mine areas, the highest amount of water is processed in special plants, before it goes back to the natural water cycle. Beside the active pumping and cleaning the mine water in the plants MIBRAG uses large wetlands for a sustainable way in purifying the water from the pits. By removing sediments and the high loads on ions in huge reed areas. This the wetlands make an important contribution to the protection or enhancement of the quality of surface and ground water recharge which leads to class A surface water comparable to fresh water in small creeks close to Schleenhain mine and the lake Großstolpen.

In terms of local initiatives, there is a number of activities in which our companies are engaged. A good example of co-operation between a company and local municipalities are following activities:

- In continuing to respond to the war in Ukraine, EP Cargo Trucking has supported the humanitarian aid initiatives of the Group. We provided a truck that transported 13 pallets of essential items, such as medical material, diesel power generators, food, sleeping bags, and heaters to Eastern/Central Ukraine. In Ukraine, the material was then distributed from the warehouse in Uzhhorod to Kyiv, where it was most needed. During this time, the professionalism of our transporters was highlighted.

- On March 2022, EPP launched a fundraising initiative to support Ukraine population, collecting approx. €10,000 from the employees and adding the same amount as a company. The total amount (€20,000) has been donated in equal parts to Save the Children and to Red Cross organizations to support their actions in Ukraine.

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- Also, an educational project on safety topics has been realized at Tavazzano e Montanaso with local high school, confirming EP's commitment to spread the culture of safety among young people and attention to the territory and the local communities that host its plants.

- EP Kilroot and Ballylumford have a strong charity committee who have undertaken a number of activities over the last year including nominating Cancer Fund for Children as their designated charity for the year undertaking various fund-raising activities in support of them.

- In addition, the Kilroot Operations team held a Macmillan coffee morning in September and the Health and safety team organized a group to take part in the Cancer focus NI Moonlight walk that took place on 20th May 2022.

- 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Throughout 2022, 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 December 2022 EPH has received a very pleasing ESG Risk Rating of 21.3 (medium risk) from Morningstar Sustainalytics which placed EPH to 17th position out of over 80 companies in the multi-utilities sector and represents an improvement in the score from 22.0 received last year (the lower score, the better). Also, in December 2022, EPIF further improved its ESG Risk Rating from Morningstar Sustainalytics from 20.0 received in 2021 to 18.2. This score places EPIF to the low-risk category and 5th position out of over 80 companies from the multi-utilities sector. In addition, in November 2022 EPIF obtained an updated ESG evaluation from S&P Global Ratings with a score of 63/100, representing a slight deterioration compared to 66/100 from last year (the higher score, the better).

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 2022 was 10,420 (10,564 in 2021). Male employees covered for 80% of EPH employees, slightly lower share compared with 2021 (81%).

An average number of employees in EPIF Group during 2022 was 5,837 (5,811 in 2021) and an average number of employees in EPPE Group during 2022 was 3,857 (4,077 in 2021).

KPI	Unit	2022	2021	2022 - 2021	%
Headcount					
EPIF Group					
Czech Republic	#	1,461	1,459	2	0%
Slovakia	#	4,311	4,289	22	1%
Germany	#	62	61	1	1%
Netherlands	#	2	2	–	–%
Total – EPIF Group	**#**	**5,837**	**5,811**	**25**	**0%**
EPPE Group					
Czech Republic	#	130	124	5	4%
France	#	394	413	(19)	(5%)
Ireland	#	7	9	(2)	(22%)
Germany	#	2,167	2,403	(236)	(10%)
UK	#	554	528	26	5%
Switzerland	#	16	19	(3)	(16%)
Italy	#	590	581	9	1%
Total – EPPE Group	**#**	**3,857**	**4,077**	**(219)**	**(5%)**
EPH Other					
Czech Republic	#	512	470	42	9%
Poland	#	39	30	8	27%
Other	#	176	176	–	–%
Total – EPH Other	**#**	**726**	**676**	**50**	**7%**
Total – EPH Group	**#**	**10,420**	**10,564**	**(144)**	**(1%)**

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 impressive 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 37,122 million (EUR 18,956 million in 2021).

External Revenues of EPIF Group reached EUR 3,706 million (EUR 2,538 million in 2021). Despite escalated geopolitical frictions and related energy market disruptions which adversely affected Gas Transit, the EPIF Group demonstrated its resilience and achieved strong financial results. Business resiliency stems from diversification across the gas and power value chains and high portion of revenues being regulated and contracted on a long-term basis. Substantial part of our revenue 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. Gas storage segment played the most essential role from the diversification perspective, as gas delivery insecurity and strained and highly volatile commodity prices contributed to outstanding gas storage performance that almost fully offset Gas Transit underperformance.

External Revenues of EPPE Group reached EUR 33,252 million (EUR 16,272 million in 2021). The increase is attributable to primarily to Flexible power generation segment which increased by EUR 16,672 million, or 109%, mostly as effect of significant increase in commodity prices and as a result, the most significant effect was recorded by production entities in Italy, France, Germany and the UK and also by EPH Group trading companies, especially EP Commodities, a.s. Renewable Energy segment increased by EUR 312 million, or 42%, primarily due to indexation of Contract for Difference and higher power prices on Lynemouth.

External Sales	Unit	2022	2021	2022 - 2021	%
EPIF Group					
Gas Transmission	million EUR	182	334	(152)	(46%)
Gas and Power Distribution	million EUR	2,808	1,755	1,053	60%
Gas Storage	million EUR	402	213	189	89%
Heat Infra	million EUR	305	226	79	35%
EPIF Other	million EUR	9	10	(1)	(10%)
Total EPIF Group	**million EUR**	**3,706**	**2,538**	**1,168**	**46%**
EPPE Group					
Flexible Power Generation	million EUR	31,923	15,251	16,672	109%
Renewable Energy	million EUR	1,051	739	312	42%
EPPE Other	million EUR	278	282	(4)	(1%)
Total EPPE Group	**million EUR**	**33,252**	**16,272**	**16,980**	**104%**
EPH Other	**million EUR**	**149**	**144**	**5**	**3%**
Holding Entities	million EUR	15	2	13	650%
Total EPH Group	**million EUR**	**37,122**	**18,956**	**18,166**	**96%**

UNDERLYING EBITDA

Underlying EBITDA of EPH Group reached EUR 4,346 million (EUR 2,286 million in 2021). The presented Underlying EBITDA[6] 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 1,444 million (EUR 1,291 million in 2021). The 12% increase in Underlying EBITDA is largely attributable to Gas storage increased by EUR 198 million, or 110%, driven by well-priced fast cycle contracts in the last quarter and Heat infrastructure business increased by EUR 92 million, or 87%, due to favourable power spreads leading to higher power generation and strong grid-balancing services. Gas and Power Distribution segment proved to be reliable contributor to overall results. On the other hand, Gas transmission segment declined by EUR 155 million, or 32%, due to decreased transmission and gas in-kind revenues, further exacerbated by negative price effect of hedging.

Underlying EBITDA of the EPPE Group reached EUR 2,904 million (EUR 996 million in 2021). Flexible Power Generation segment increased by EUR 1,673 million, or 219%, with increase driven firstly by new business areas primarily concentrated around our trading business accompanied by improved performance of our traditional trading activities, secondly by reflecting fully acquisitions made during 2021 and finally by realizing higher market spreads in all European countries which was driven by market environment. Renewable Energy segment increased by EUR 164 million, or 77%, which relates mostly to Italian fleet of biomass power plants due to higher market spreads.

6 For reconciliation of Underlying EBITDA to closest IFRS measure refer to Note 5 of EPH's IFRS consolidated financial statements for 2022.

EBITDA	Unit	2022	2021	2022 - 2021	%
EPIF Group					
Gas Transmission	million EUR	324	479	(155)	(32%)
Gas and Power Distribution	million EUR	539	521	18	3%
Gas Storage	million EUR	378	180	198	110%
Heat Infra	million EUR	198	106	92	87%
EPIF Other	million EUR	5	5	–	–%
Total EPIF Group	**million EUR**	**1,444**	**1,291**	**153**	**12%**
EPPE Group					
Flexible Power Generation	million EUR	2,436	763	1,673	219%
Renewable Energy	million EUR	377	213	164	77%
EPPE Other	million EUR	91	20	71	355%
Total EPPE Group	**million EUR**	**2,904**	**996**	**1,908**	**192%**
EPH Other	**million EUR**	**30**	**37**	**(7)**	**(19%)**
Holding Entities	million EUR	(36)	(38)	2	(5%)
Inter-segment eliminations	million EUR	4	–	4	–%
Total EPH Group	**million EUR**	**4,346**	**2,286**	**2,060**	**90%**

CAPEX

CAPEX of EPH Group reached EUR 752 million (EUR 441 million in 2021). The presented CAPEX is defined as additions to tangible and intangible assets and advances paid for tangible assets excluding any potential impact of expenses for emissions rights, which might be categorized as CAPEX under the IFRS, and right-of-use assets and goodwill.

CAPEX of EPIF Group reached EUR 172 million (EUR 151 million in 2021). 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. In the Gas transmission segment, EPIF completed a strategic project of the Slovak-Polish Interconnector, which was on a list of critical EU infrastructural projects and was supported by the EU.

CAPEX of EPPE Group reached EUR 568 million (EUR 286 million in 2021). The 99% increase in CAPEX is mainly driven by an increase in Flexible Power Generation segment largely related to 3 major development projects, namely Kilroot OCGT in Northern Ireland, Tavazzano CCGT and Ostiglia CCGT in Italy, which represents together over EUR 325 million. Other part of CAPEX represents major overhauls on UK power plants.

CAPEX	Unit	2022	2021	2022 - 2021	%
EPIF Group					
Gas Transmission	million EUR	32	25	7	28%
Gas and Power Distribution	million EUR	89	83	6	7%
Gas Storage	million EUR	10	9	1	11%
Heat Infra	million EUR	40	34	6	18%
EPIF Other	million EUR	1	–	–	–%
Total EPIF Group	**million EUR**	**172**	**151**	**21**	**14%**
EPPE Group					
Flexible Power Generation	million EUR	475	271	204	75%
Renewable Energy	million EUR	63	7	56	800%
EPPE Other	million EUR	30	8	22	275%
Total EPPE Group	**million EUR**	**568**	**286**	**282**	**99%**
EPH Other	**million EUR**	**12**	**4**	**8**	**200%**
Total EPH Group	**million EUR**	**752**	**441**	**311**	**71%**

NET FINANCIAL DEBT, LEVERAGE AND CASH CONVERSION

Net financial debt stood at EUR 4,910 million at the end of the year under review (EUR 4,611 million in 2021). 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 increase of the net financial debt was driven by an increase in revolving credit facilities to secure sufficient liquidity for periods with a significant volatility on the market.

Net Leverage improved to 1.1× (2.0× in 2021) which is exceptionally low level.

Net financial debt and Leverage	Unit	2022	2021	2022 - 2021	%
Loans and borrowings	million EUR	7,707	7,066	641	9%
Issued bills of exchange	million EUR	213	42	171	407%
(less) Cash and cash equivalents	million EUR	3,010	2,497	513	21%
Net financial debt	**million EUR**	**4,910**	**4,611**	**299**	**6%**
Underlying EBITDA	million EUR	4,346	2,286	2,060	90%
Net Leverage	**×**	**1.1×**	**2.0×**	**(0.9×)**	**-**

Cash conversion was 73.33% (62.51% in 2021). Even with higher investments in development projects, the increase of the cash conversion in 2022 was primarily caused by significantly improved performance. The high ratio of Underlying EBITDA conversion to cash flows further reinforces very good positioning of EPH Group in terms of leverage within the industry peer group.

Cash conversion	Unit	2022	2021	2022 - 2021	%
Underlying EBITDA	million EUR	4,346	2,286	2,060	90%
CAPEX	million EUR	(752)	(441)	(311)	71%
Tax paid	million EUR	(407)	(416)	9	(2%)
Cash conversion	**%**	**73.33%**	**62.51%**	**10.82%**	**-**

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;
- Slovenské elektrarne, a.s. – organizační složka located in the Czech Republic;
- 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 2022, 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 2022, 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 2022, EPH issued its fourth Sustainability report covering year 2021. EPH plans to issue its Sustainability report for 2022 during Q2 2023. 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 2023

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 counterparty 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 2022 was supported by lingering reopening effects, easing supply chain disruptions, and a strong increase in investment growth. But Russia's invasion of Ukraine and subsequent curtailment of pipeline gas supply to Europe led to an unprecedented rally in European and global energy prices in 2022. As the effects of higher energy prices and lower consumer confidence propagate through the global economy, the IMF in its January World Economic Outlook Update expects global economic growth to fall from 6.2% in 2021 to 3.4% in 2022 and 2.9% in 2023.

Russian pipeline gas supply to Europe fell to only 40% of its average 2017–2021 levels in 2022, causing average gas outturn prices in Europe to rise by 165% year on year in 2022. The rally was needed to trigger a meaningful reduction in demand and attract all available spot LNG cargoes. The increase in wholesale prices is still being passed through to end-consumers, sharply cutting into their disposable income and the margins of energy-intensive industrials.

Rising input costs meant European industrials had to raise their output prices, thereby fuelling inflation further and intensifying the continent's cost-of-living crisis, and higher energy prices' impact on aggregate demand. Nonetheless, many industrials were unable to fully pass through rising input costs, leaving them no other option but to curtail production, further weighing on economic growth in 2022.

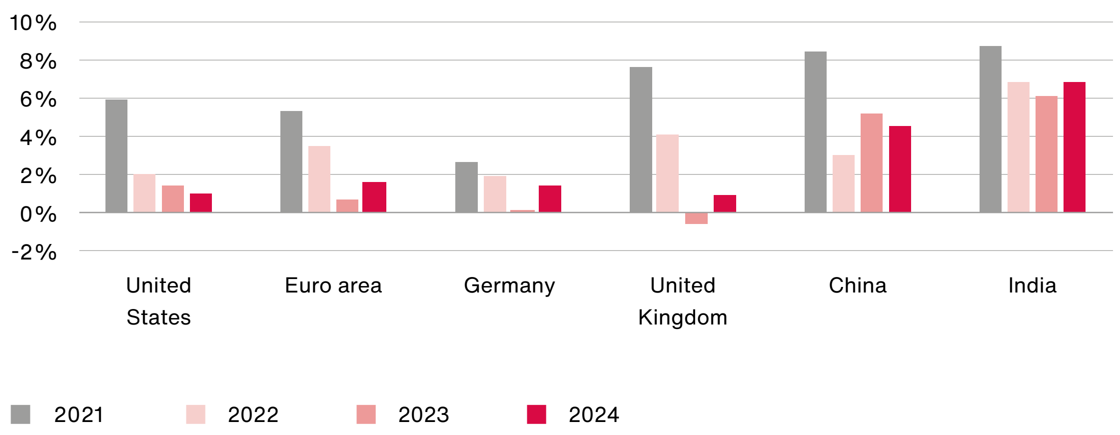

Figure 1: IMF growth projections.

Source: IMF, World Economic Outlook, January 2023 Update

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IMF estimates peg average global inflation rates in 2022 at 8.8%. In response to these developments, central banks rapidly tightened monetary policies, with the US Federal Reserve increasing its interest rate to around 4.4% last year while the European Central Bank raised interest rates by 2.5%. Tighter monetary conditions will weigh on demand in 2023 while the sharp appreciation of the US dollar due to the Federal Reserve's monetary tightening will continue to add to global price pressures by raising the cost of imports.

In China, frequent lockdowns under the country's zero-Covid policy hampered economic growth and prevented a normalisation of supply chains, with the Federal Reserve Bank of New York's Global Supply Chain Pressure Index remaining above normal levels. China's pivot away from its zero-Covid policy will be supportive for economic growth and an amelioration of supply chain pressures in 2023.

But slower growth in its major trading partners, particularly in Europe, will likely weigh on Chinese growth with the IMF expecting the economy to grow by 3% in 2022 and 5.2% in 2023. The country's real estate sector remains weak, with the decline in real estate sales preventing developers from accessing a much-needed source of liquidity to finish ongoing projects which raises the possibility of further debt defaults.

The first- and second-round effects of structurally higher energy prices are also likely to present a significant challenge for global economic growth in 2023. While inflation rates are widely expected to fall this year, gas and power prices in Europe can still rally sharply in response to any further supply disruption. Additionally, European industry will need to continue adjusting to higher input prices, raising the risk of industrials relocating to locations with a comparative advantage in input costs such as the United States or Asia. Lastly, with no end to the conflict in Ukraine in sight, considerable uncertainty will likely continue to weigh on consumer confidence this year.

ENERGY MARKET DEVELOPMENTS

LATEST DEVELOPMENTS

European gas prices in 2023 have continued their downward trajectory amid high stocks, soft demand, and continued high LNG imports. TTF day-ahead prices fell from around 71 EUR/MWh at the beginning of the year to 43 EUR/MWh in mid-March. Forward prices have fallen in a similar fashion, with the front-year TTF contract trading at around 50 EUR/MWh in mid-March compared to 78 EUR/MWh at the beginning of the year.

LNG deliveries into the Northwest European and Italian markets reached around 14 Mt over January and February 2023, which constitutes a 2 Mt year-on-year (19%) growth. Demand in Asia remained subdued on high LNG stocks and a generally mild winter while Chinese demand was still soft as the economy only gradually reopened, allowing Europe to maintain its strong imports and opening further downside for prices. Demand over the same period across Northwest Europe and Italy remained soft owing to a combination of mild weather spells and structurally higher prices, reaching a decrement of 20% versus the 2017–2021 average compared to a decrement of 9% in the first two months of 2022.

Electricity demand underperformance and mild weather brought average French and German power spot prices in January and February 2023 lower than even the lowest individual month recorded across the whole of the previous year. Having sold off precipitously from early December, the rate of decline of futures products has generally slowed in 2023, particularly after temperatures dropped back toward normal following an extremely mild start to the year.

Uncertainty around France's nuclear generation output this year and next drove significant price volatility in March. Cracks at previously repaired welds were discovered at one French nuclear reactor while other cracks related to thermal fatigue were found in two other French reactors, stoking market fears over lower-than-anticipated nuclear generation. TTF year-ahead prices rallied 14% day on day on 10 March before falling further in the following week. Prices are likely to remain volatile on any news surrounding potential revisions in expected French nuclear output. Any significant tightening would require prices to move towards the top of the coal-to-gas fuel switching range to displace more gas from the power sector this year.

While unlikely to reach the heights of 2022, price volatility will likely remain a dominant feature of European gas markets going forward owing to the loss of baseload pipeline supply from Russia. Any significant outage on the supply side of the global gas balance can quickly require prices to break through the coal-to-gas fuel switching range to price off more demand in Europe and in price sensitive LNG importing countries. Similarly, any faster-than-anticipated recovery in European gas demand – in particular from a beleaguered industrial sector – could also require higher prices to push consumers to reduce demand again.

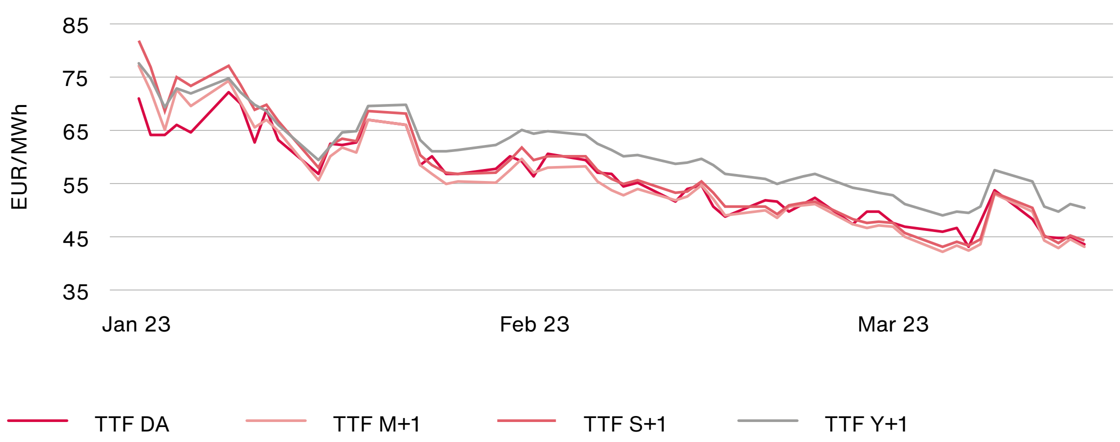

Figure 2: TTF spot and forward prices over 2023.

Source: PEGAS, ICE, EPC UK

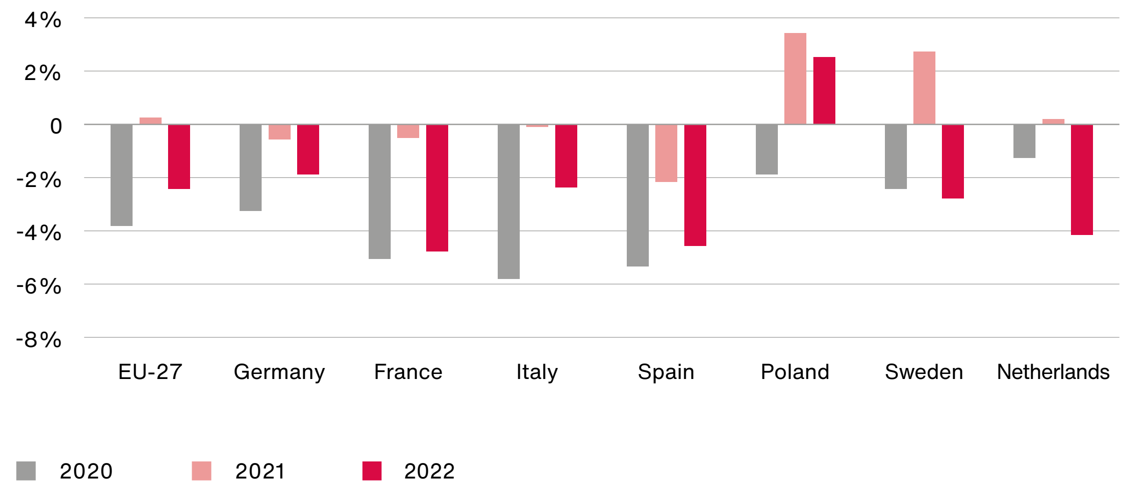

Figure 3: Changes in power demand relative to 2019.

Source: Ember European Electricity Review 2023

POWER CONSUMPTION

Spiralling energy prices due to the economic recovery from the Covid-19 pandemic and Russia's invasion of Ukraine slowed growth in global power consumption in 2022, following 2021's near-record increase. Midway through the year, the IEA estimated global electricity demand growing by 2.4% in 2022, down from 6% in 2021. Despite teetering economies, the enduring coronavirus, and extreme price volatility across the wider energy complex, 2.4% growth would be back in line with the pre-pandemic trend. Such a figure would represent an impressive resilience to the many negative developments of recent years, and is a testament to ongoing electrification efforts, pandemic-and-recession-recovery policies, and growth in developing economies.

In Europe however, electricity demand contracted in 2022 as bills skyrocketed and countries took steps to conserve gas and other energy sources for a winter emergency. After EU-27 power demand in 2021 marginally exceeded the pre-pandemic year of 2019, demand in 2022 dropped nearly 2.5% below this marker. Demand fell the most in France, Spain, and the Netherlands, delivering 4–5% below the levels recorded in 2019. Relatively mild winter periods limited power demand, and in particular offtake from France's significant electric heating sector. Poland was part of the minority of European countries to emerge from 2022 with higher electricity demand than prior to the pandemic as its large reserves of domestic coal, and significant coal-fired generation capacity, kept a lid on wholesale electricity prices.

POWER PRODUCTION

Gas-fired power profitability fell year on year in 10 out of the 12 months of 2022, as shippers raised prices to extraordinary levels to attract LNG cargoes to Europe and conserve the fuel for heating and injection into storage. The only exceptions were January, prior to Russia's invasion of Ukraine, and an exceptionally mild month in November. Hard-coal profitability generally reached record highs, as gas pulled up power prices. The third quarter of the year saw exceptional profitability for coal, as a summer heatwave added power tightness onto the gas shortages already afflicting the continent.

EU fossil-fuel-fired power generation recorded a second consecutive yearly gain, reaching 2.8% growth in 2022. The share of fossil fuels in the bloc's power mix rose to 39.5%, the highest since 2018. Price signals and policy efforts to conserve gas for heating – including ramping up retired coal plants – were not massively successful. Hard coal generation did rise 8% year on year and brown coal (lignite) 6%, and these fuels also rose in share of the generation mix (by one percentage point for hard coal and two points for lignite). But gas-fired power output also ticked up by 1% year on year, increasing its share of total power generation by one percentage point as lower non-thermal generation availability increased the call on gas in the power sector.

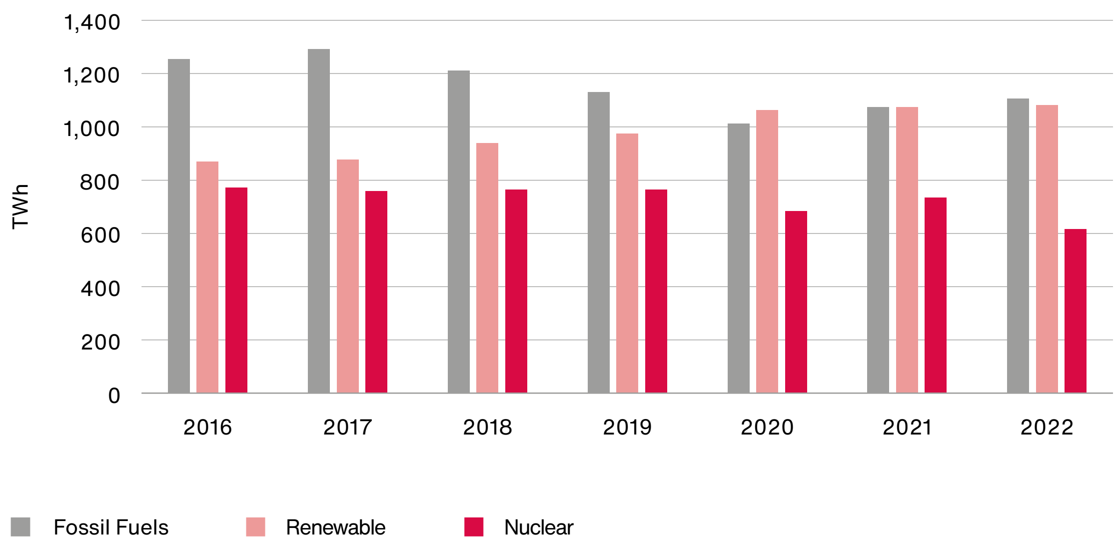

Figure 4: Power production per source type in EU-27 in TWh.

Source: Ember European Electricity Review 2023

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EU nuclear power generation fell to a decade's low in 2022. Half of Germany's remaining nuclear reactors retired at the end of 2021, leaving just 4 GW running. EDF discovered corrosion issues affecting about one third of France's nuclear capacity, leading to a programme of checks and maintenance that is spilling into 2023 and possibly beyond.

Aggregate EU renewable power generation ticked up to reach a new record. Wind and solar output both gained in line with capacity additions, but a summer heatwave severely restricted hydropower production to keep total renewable generation broadly stable. A drought severely limited hydropower in Iberia, with generation dropping by 37% year on year in Spain and 36% in Portugal. Countries with hydropower feeding in from the southern Alps such as Italy and Slovenia also recorded steep declines in output year on year. Even Norway, Europe's other major hydropower area, had a below-normal year, with output declining 6% relative to 2021.

The high-price environment, combined with a new determination from most European governments to diversify away from Russian energy imports, spurred a boom in solar capacity additions. EU total solar power capacity increased by one quarter or 41 GW across 2022, reaching nearly 210 GW according to an estimate from SolarPower Europe.

Wind capacity grew by a lesser 15 GW according to an estimate from Ember, which would roughly translate to 8% of installed capacity. Onshore wind installations are suffering from restrictive planning laws, while renewed efforts to increase offshore wind build out will not bear fruit until later in the current decade.

POWER PRICES

Power prices reached all-time highs during the summer of 2022 as a consequence of high European gas prices, in turn triggered by the ongoing conflict between Russia and Ukraine and the subsequent drop in Russian pipeline gas exports. At the peak, Q4 22 TTF prices reached as high as 340 EUR/MWh. With the marginal cost of fired power plants typically setting wholesale power prices, baseload prices spiked significantly.

Adding further support to power curves was the prospect of a cold winter and headlines from TSOs explicitly stressing the risk of black outs and the possibility of reducing gas-fired generation to preserve gas. Included in these measures were last resort options such as curtailing interconnector flows in order to satisfy domestic demand.

Lower French nuclear production amid ongoing outages due to stress corrosion issues, however, led to a disconnect between the short-run marginal costs of a gas-fired power plant and French power prices. Due to the ongoing nuclear outages, France switched from being a typical net exporter during the winter to being a strong importer. Given the overall tightness in the gas balance, a significant risk premium was being priced into French Q1 23 power prices following the shutdown of Nord Stream 1. While Q1 23 TTF was trading at around 340 EUR/MWh at the time, French Q1 23 baseload power prices reached as high as 1,900 EUR/MWh, which marks more than double the generation costs of a standard gas-fired power plant.

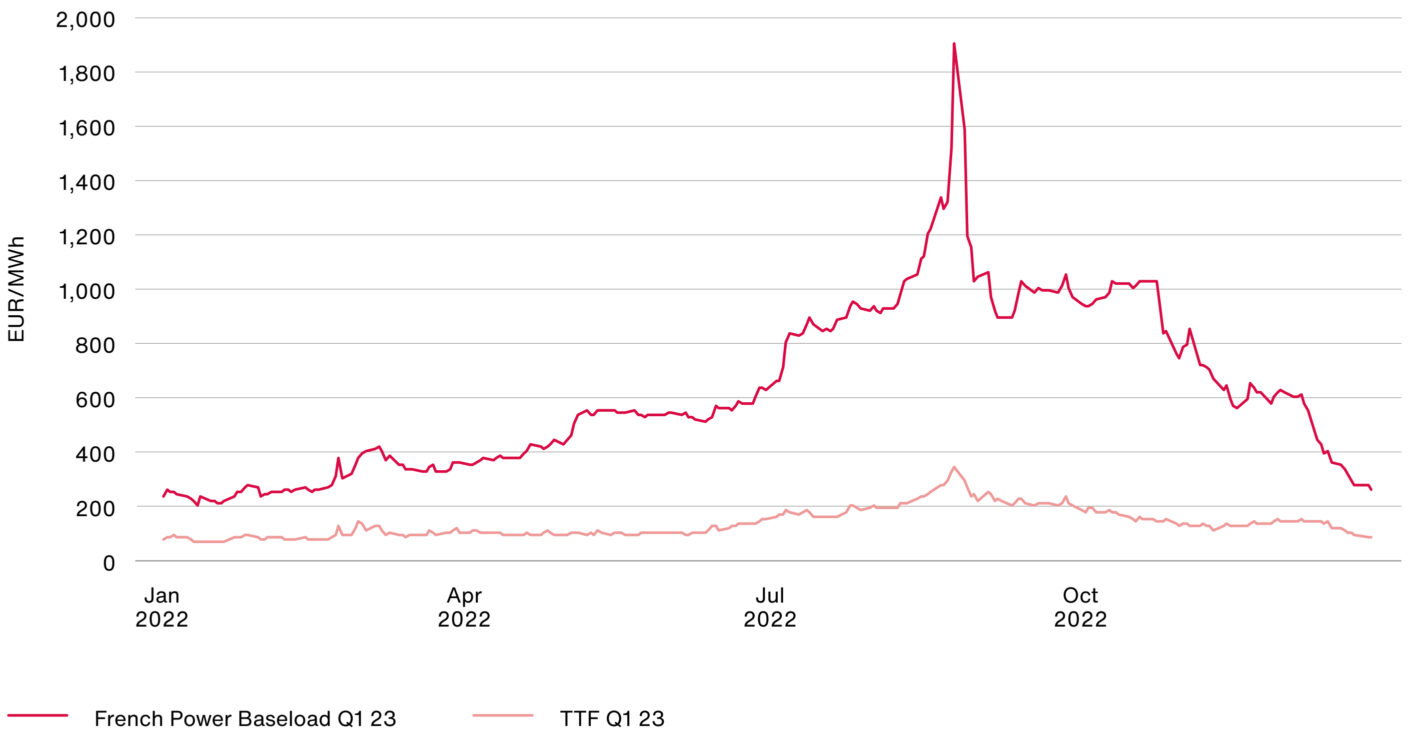

Figure 5: French Q1 23 baseload contract versus Q1 23 TTF contract. Source: EEX, ICE

As winter approached, France was able to balance shortages in power without having to use emergency protocols. Above seasonal norm temperature conditions also eased pressure on the system by further weighing on demand, resulting in a sharp selloff in the Q1 23 contract. This selloff also saw declines in Q1 23 prices across the rest of the CWE regions which also had a slight risk premium in price, albeit not as high as France.

GAS CONSUMPTION

European natural gas demand in 2022 saw the single largest annual decrease in recent history. A radical y/y increase in gas prices following Russia's invasion of Ukraine triggered sizeable demand cuts across European industry and households.

Overall, local distribution company (LDC) gas demand reflecting burn for heating in Northwest Europe (comprising Germany, France, Belgium, the Netherlands, and the UK representing approximately 55% of total European gas demand) fell by 14% versus the 2017–2021 average in

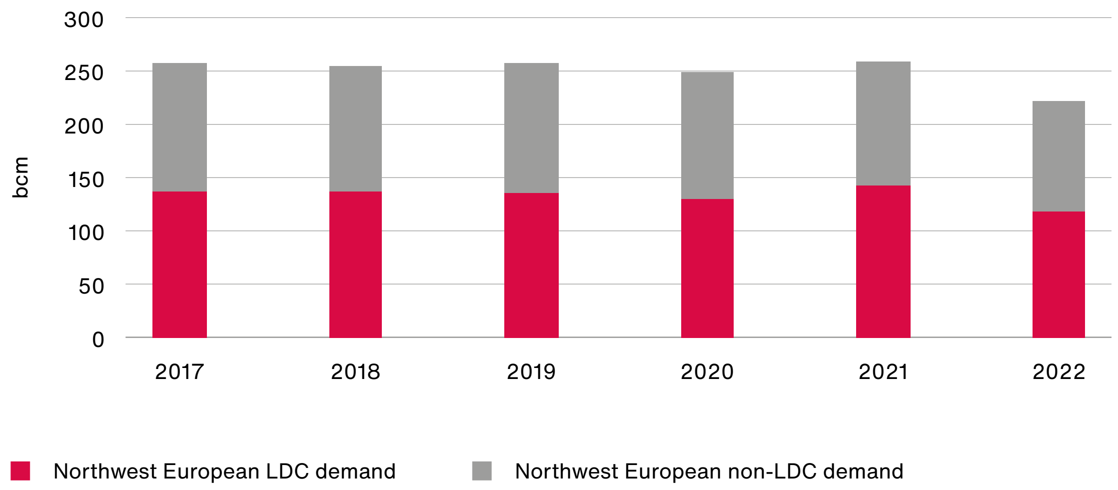

Figure 6: Northwest European gas demand by type. Source: ENTSOG, Transmission system operators

2022. In addition to wholesale prices gradually passing through to households, public awareness campaigns promoting energy-saving measures also prompted European households to adjust consumption patterns lower. Milder weather, particularly in October and the first half of November 2022, also contributed to weaker demand.

On aggregate, non-LDC gas demand in Northwest Europe fell by 13% versus the 2017–2021 average in 2022. High wholesale prices weighed on industrial margins, causing widespread switching to alternative fuels such as coal, LPG, or diesel.

Fuel switching was pronounced in the refining sector causing refineries to exhibit one of the largest demand decrements among European industrials. Refiners were able to switch away from natural gas for process heat and on-site power generation towards other, cheaper fuels such as LPG and fuel oil. Additionally, refiners also opted to take sweeter and lighter crude slates requiring less gas for hydrodesulphurisation processes.

However, many industrials were not able to switch away from gas, particularly those in sectors in which methane is used as a feedstock. These consumers had to resort to output cuts in the face of soaring input costs. The chemicals sector showed a significant reduction in gas demand, driven largely by ammonia manufacturers, which started to curtail their European output following the rally in gas prices in late 2021 and instead opted to increase imports from other regions. Other gas-intensive sectors such as the metals and glass sectors decreased demand owing largely to a combination of output curtailments, fuel switching, and energy efficiency measures.

Only power-sector gas demand in Northwest Europe remained robust. While high prices incentivised a maximised switch from gas to coal in the power sector, lower non-thermal generation availability driven largely by weaker French nuclear generation and lower hydro generation compared to 2021 increased the call on thermal generation which is often filled by gas-fired power plants.

Higher wholesale prices are still being passed through to consumers and industrials, with market prices in February 2023 around 60 EUR/MWh still representing a threefold increase in prices compared to the 2017-2021 average. As a result, demand from both households and industry remained subdued at the beginning of 2023 and showed little signs of a significant rebound this year.

GAS SUPPLY

Russian pipeline exports to Europe collapsed in 2022, declining 56% y/y to 62 bcm from an already low 2021. In 2019 Russia delivered over 168 bcm to Europe via pipeline. After numerous economic sanctions were imposed upon Russia following its invasion of Ukraine, a Russian Presidential decree in March obligated European buyers to set up two accounts with Gazprombank, one for payments in euros or dollars and another for Gazprombank to convert these into rubles. Over the coming weeks a number of buyers elected not to abide by the new rules resulting in the termination of their long-term contractual supply agreements with Gazprom.

Issues from the conflict spilled into physical gas shipments in May when Ukraine's grid operator Gas Transmission System Operator of Ukraine (GTSOU) declared force majeure on supply via the Sokhranovka point which had been delivering Russian gas for onward transit. GTSOU said issued

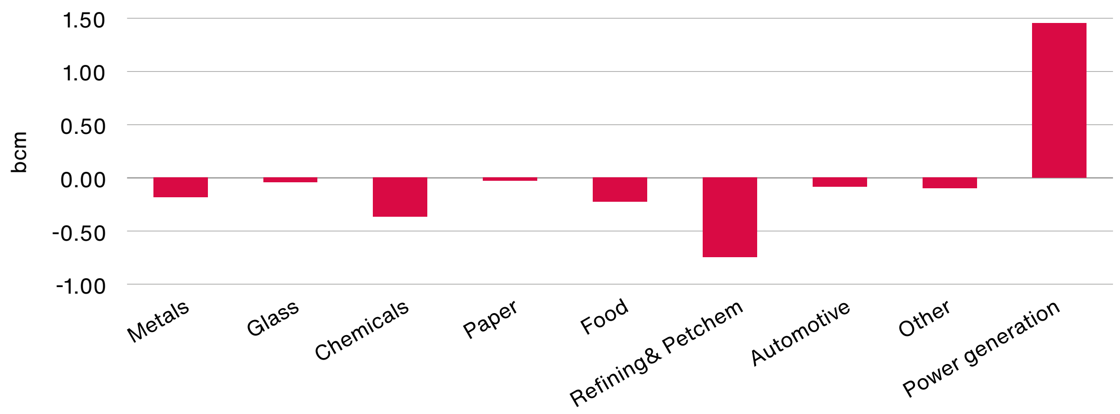

Figure 7: Decrement of French industrial and power-sector gas demand in 2022 versus the 2017-2021 average

Source: GRTgaz, EP Commodities

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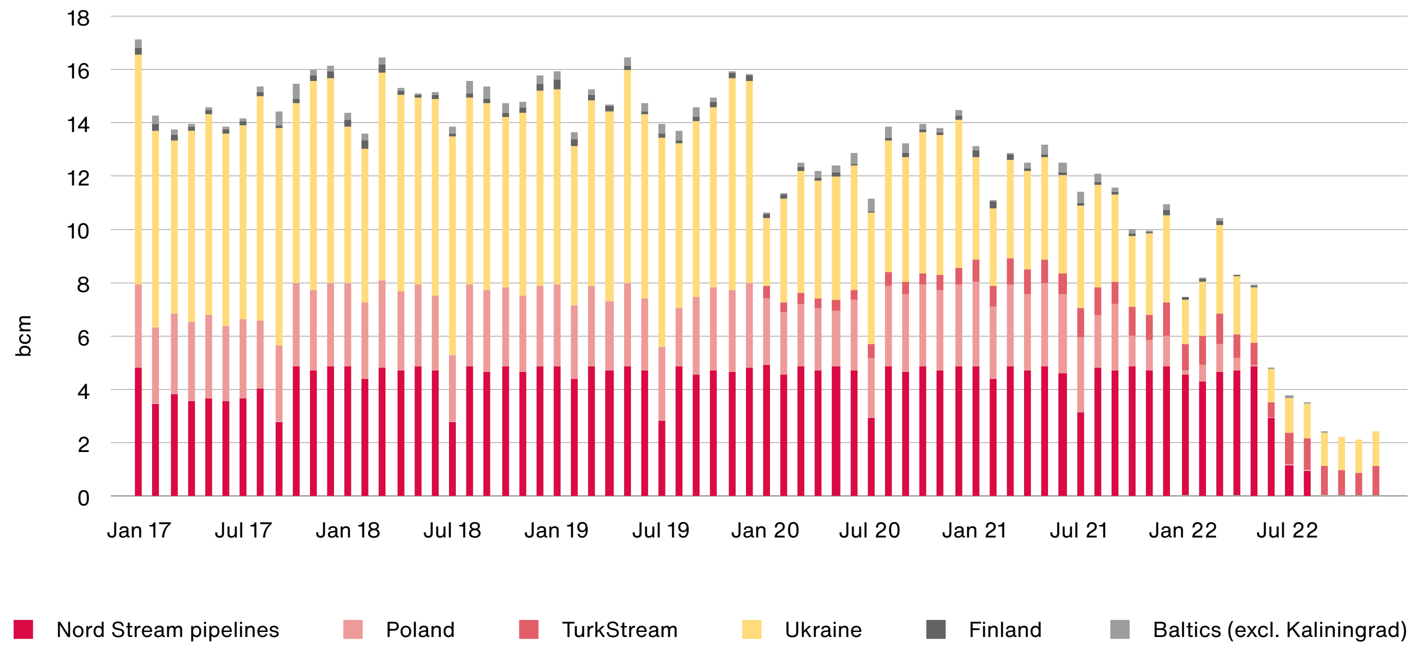

Figure 8: Russian pipeline exports to Europe by transit route.

Source: ENTSOG, GTSOU

the notice in response to separatists stealing gas around the point. The declaration left Sudzha as the sole route for transit of Russian gas via Ukraine, which operated throughout 2022, albeit significantly below capacity.

Russian sanctions in May on Europol Gaz, which owns and operates the Polish section of the Yamal gas pipeline, halted the prospect of any more deliveries via the asset. The pipeline has been used only sparingly for Russian exports earlier in the year.

In June, Russian gas pipeline exporter Gazprom said that issues with servicing a number of Siemens turbines at the Portovaya meant that it had to curtail flows to Europe via the Nord Stream 1 pipeline. By August flows had ceased completely, with Gazprom blaming continuing issues with turbines.

On 26 September the pressure in both Nord Stream 1 and neighbouring Nord Stream 2 – yet to start commercial operations – plummeted after a series of explosions led to gas leaks. Both strings of Nord Stream 1 and one string of Nord Stream 2 were affected.

The TurkStream pipeline, bringing Russian gas to Serbia, Hungary, and Romania via Turkey and Bulgaria continued to flow throughout the year.

An inability to divert gas exports to other routes owing to infrastructure constraints and full domestic storage facilities meant Gazprom production fell sharply through the second half of the year. In the whole of 2022, Gazprom's production amounted to 413 bcm marking approximately a 20% y/y decline.

This loss in supply significantly tightened the global gas balance and caused gas prices to rise significantly, incentivising Europe's other pipeline suppliers to maximise exports. Norwegian imports rose 4% y/y in 2022 to 114 bcm, bolstered by a light maintenance programme and an upstream emphasis on gas production. In late 2021 producers at key oil and gas fields largely ceased using gas reinjection to enhance oil recovery and instead emphasised exporting gas to Europe since the price of gas exceeded that of oil in energy terms. This strategy remained in place throughout 2022. Summer maintenance was lighter than usual following heavy works in 2021, with producers avoiding downtime to maximise revenues in light of Europe's high-price environment.

A new route to Europe for Norwegian gas opened in late October 2022 when the Baltic Pipe was completed, connecting it to the Danish offshore sector and offering transport through to Poland. Baltic Pipe does not add to Norway's production capacity and will hence lead to a reconfiguration of flows rather than an outright increase, with flows to Denmark and Poland likely detracting from flows into Northwest Europe.

European production climbed 7% from 2021 to just shy of 75 bcm but remained in their long-term downward trend. Production was above 100 bcm in 2017. Great Britain remained the

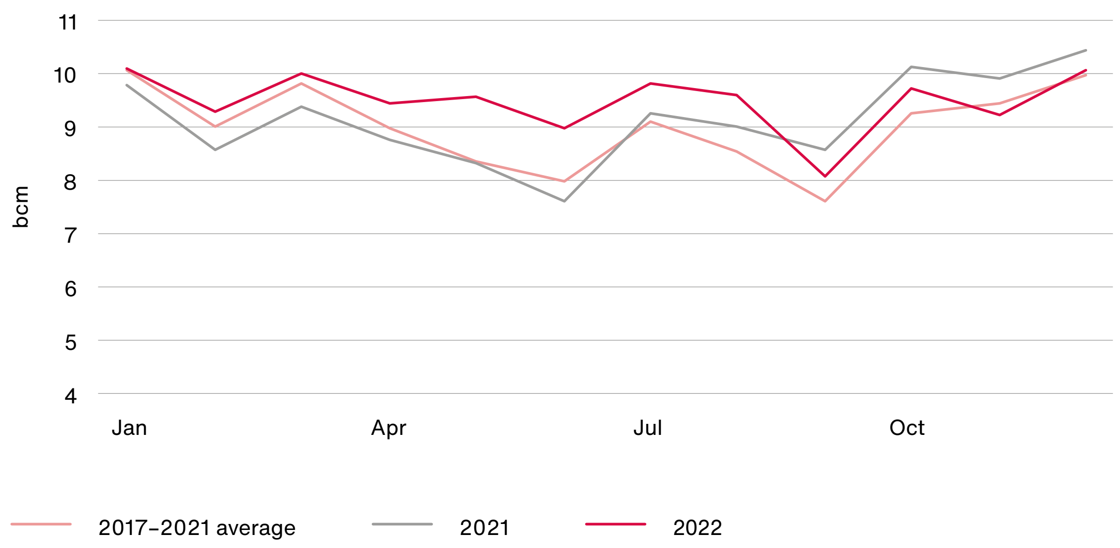

Figure 9: Norwegian gas pipeline exports to Europe. Source: Gassco

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largest supplier, with UKCS production climbing to its highest annual total in years as producers emphasised gas exports and reduced their maintenance plans. Dutch production continued to fall y/y as the Dutch government pressed on with their scheduled ramp down and closure of the Groningen field at the end of the 2022–2023 gas year.

Piped flows to Europe from North Africa slid 9% lower to 34 bcm. While Italian receipts of Algerian gas rose y/y, the cessation of Algerian exports to Spain via the MEG pipeline following a diplomatic spat between Algeria and Morocco in November 2021 along with the expiry of a long-term supply contract meant the Iberian market went a whole year with Algerian gas only supplied via the Medgaz pipeline.

Europe's newest pipeline supplier Azerbaijan increased flows to Italy via the TAP pipeline as it continued its ramp up to nameplate capacity. Exports totalled 9.7 bcm, a 42% jump from 2021. The launch of the Interconnector Greece Bulgaria (IGB) pipeline later in 2022 opened up new markets in the Balkans for Azeri exports but did not change total exports to Europe. A doubling of TAP capacity to 20 bcm/year is not due to be completed until 2026.

LNG

The increase in non-Russian pipeline flows was not able to offset the tightening impact of falling Russian exports. Instead, high gas prices incentivised all available spot LNG cargoes to flow to Europe. As a result, European imports of LNG surged in 2022, breaking records throughout the year. Overall, European imports in 2022 rose by over 40 Mt y/y, lifting LNG send out from terminals in Europe by 72% year on year to 144 bcm.

The increase in European LNG imports was in part a function of global liquefaction capacity expansions and higher utilisation rates of existing infrastructure due to high price incentives. Overall, global LNG exports rose 18 Mt from 2021 to 400 Mt in 2022.

On the demand side of the global gas balance, weaker Chinese demand in 2022 due to ongoing Covid-lockdowns liberated more spot cargoes for the European market. At the same time, the high global gas prices set by Europe displaced more price sensitive buyers such as India, Pakistan, and Bangladesh from the global spot LNG market, liberating further LNG for Europe. Lastly, improved hydro generation in Brazil and Argentina meant less demand from South America.

While sanctions ceased Russian LNG deliveries to the UK, cargoes from Russia continue to land at EU terminals.

The rush of cargoes largely landing in northwest Europe and Iberia, where most of Europe's regasification infrastructure is concentrated, paired with the loss of Russian piped supply caused a structural change in flow patterns across the continent: from East-to-West flows, to West-to-East flows. This new dynamic generated a series of bottlenecks as LNG struggled to make its way to central and eastern Europe as quickly as it was unloaded. Principle pinch points formed between Britain and mainland Europe, France and Iberia, and France and central Europe.

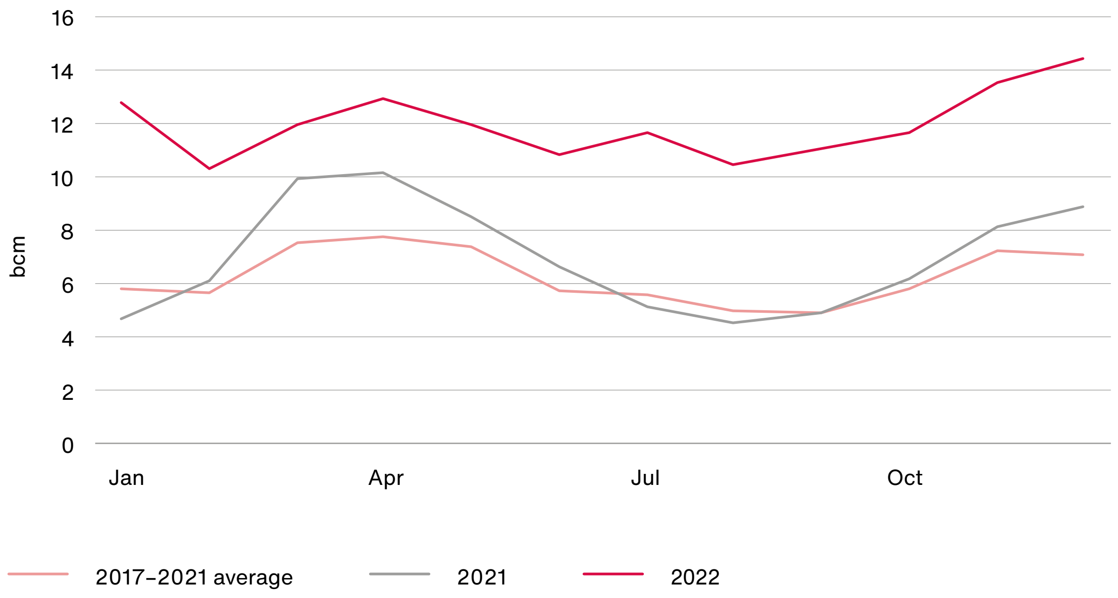


Figure 10: European LNG sendout.

Source: ENTSOG, Transmission System Operators

This sparked a wave of new investments in LNG infrastructure, in particular through the use of Floating Storage and Regasification Units (FSRUs), often backed up financially by European governments in an effort to decrease their dependence on Russian pipeline gas imports. The first new FSRU for Europe was launched at Eemshaven, Netherlands in September 2022, with a capacity of 8 bcm/year. In Germany alone, the flurry of investments resulted in the addition of 18.8 bcm/year of regasification capacity in 2023 alone, made up of three FSRUs in Wilhelmshaven, Brunsbuttel, and Lubmin.

A number of more conventional land-based terminals as well as capacity expansions of existing LNG regasification infrastructure also progressed, although most new terminals will not be realised for a number of years.

Across Europe, developments at existing terminals and new FSRUs will bolster capacity by around 50 bcm/year by the end of 2023 compared to the start of 2022, with an additional 15 bcm/year by the end of 2024.

GAS STORAGE

European gas inventories ended winter 2021–2022 significantly depleted, standing at only 26% of capacity against a five-year average of 34%. Low stocks were largely the result of lower Russian pipeline exports to Europe through winter and a tight balance carried from 2021.

Storages flipped to net injections in April 2022 as demand declined and LNG imports surged. The tightness on the European balance in 2022 drove up gas prices to the extent that they triggered a drastic reduction in demand and a sharp increase in LNG imports, in turn allowing the European market to maintain a strong level of injections. Across summer 2022, injections averaged 335 mcm/d compared to the five-year average of 280 mcm/d.

Injections over summer 2022 were bolstered by legislative initiatives at both the EU and member-state levels. The European Council passed a directive that required member states to reach an end-October storage carryout of 80% in 2022 and 90% in 2023 (with some derogations). This directive was bolstered by national legislation, such as in Germany which now aims for a fill rate of 95%. Countries such as Austria established tenders to secure certain minimum storage fills from market participants while other countries such as Germany and Italy also relied on

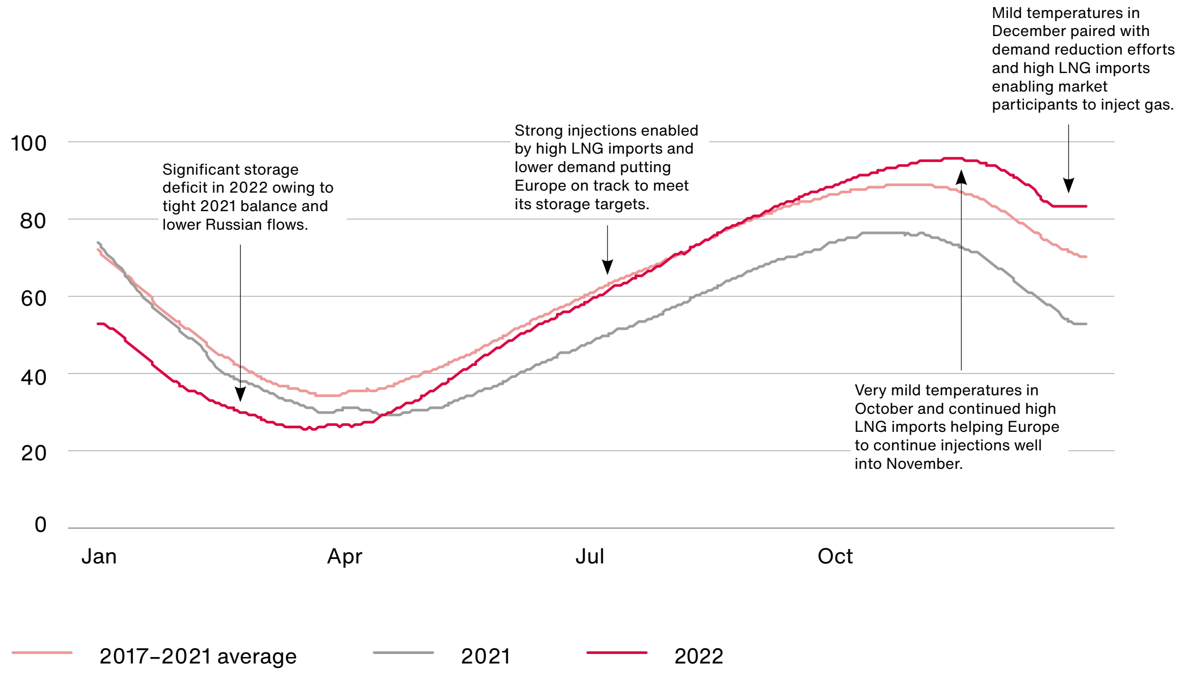


Figure 11: European gas inventories fill rate in%.

Source: AGSI, EP Commodities

non-commercial actors to purchase gas and inject these volumes into storage, providing support for prices. Going forward, EU member states will also have to collectively purchase 15% of their respective gas storage filling obligations for 2023.

Non-commercial storage injections will likely continue to play a significant role in Europe's storage situation going forward as EU member states remain concerned about security of supply during winter. This is further bolstered by the nationalisation of various utilities across Europe, giving governments direct access to gas markets and storage facilities. Germany in particular saw significant nationalisation efforts in the aftermath of Russia's invasion of Ukraine, nationalising Gazprom Germania and thereby taking over storage sites as well as trading operations for the Russian company's former European subsidiary.

Mild temperatures in autumn 2022 helped ease the tightness on the European gas balance further by significantly curtailing demand and allowing net injections to continue into November when European storage peaked at 96% of capacity. A further warm spell at the end of December paired with demand reduction efforts and continued high levels of LNG imports enabled European companies to net inject gas into storage at the end of December, allowing European storage to end 2022 at a fill rate of 83% compared to the five-year average of 70%.

GAS PRICES

European gas and global LNG markets reached both unprecedented highs and volatility 2022 driven by the loss of Russian pipeline supply to Europe in the aftermath of the war in Ukraine. The European market was already tight at the end of 2021 owing to a combination of colder than

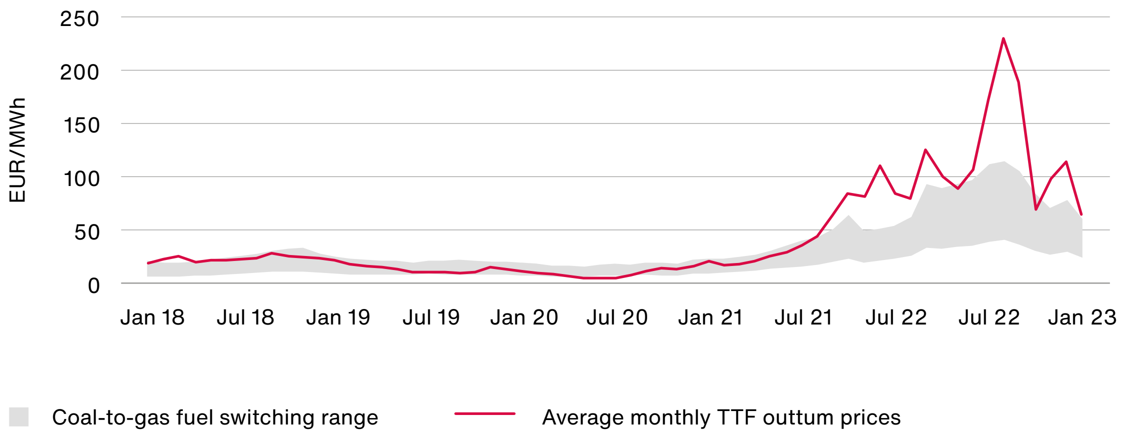


Figure 12: Average TTF outturn prices versus coal-to-gas fuel switching range.

Source: ICE, NYMEX, EP Commodities

normal temperatures and lower deliveries of Russian pipeline supplies, leading prices to break through the traditional balancing mechanism of the European gas market – the coal-to-gas fuel switching channel in the power sector – in September 2021.

The move above the coal-to-gas fuel switching range sought to balance the market through two main mechanisms: attracting all available spot LNG cargoes, and demand reduction. High gas prices not only triggered a reduction in demand within Europe but also globally by pricing out more demand elastic countries from the spot market, including Pakistan, India, and Bangladesh. Triggering a reduction in demand from European consumers necessitated sharp price rises to overcome the initial inertia in demand-side responses from previously price-inelastic sectors.

Russia's invasion of Ukraine at the end of February 2022 took place in the context of an already tight and volatile market. Gas prices reacted strongly to the prospect of Russia cancelling long-term supply agreements with European companies as the result of the newly implemented rouble payment decree in March 2022, reaching an average price of 129 EUR/MWh during that month.

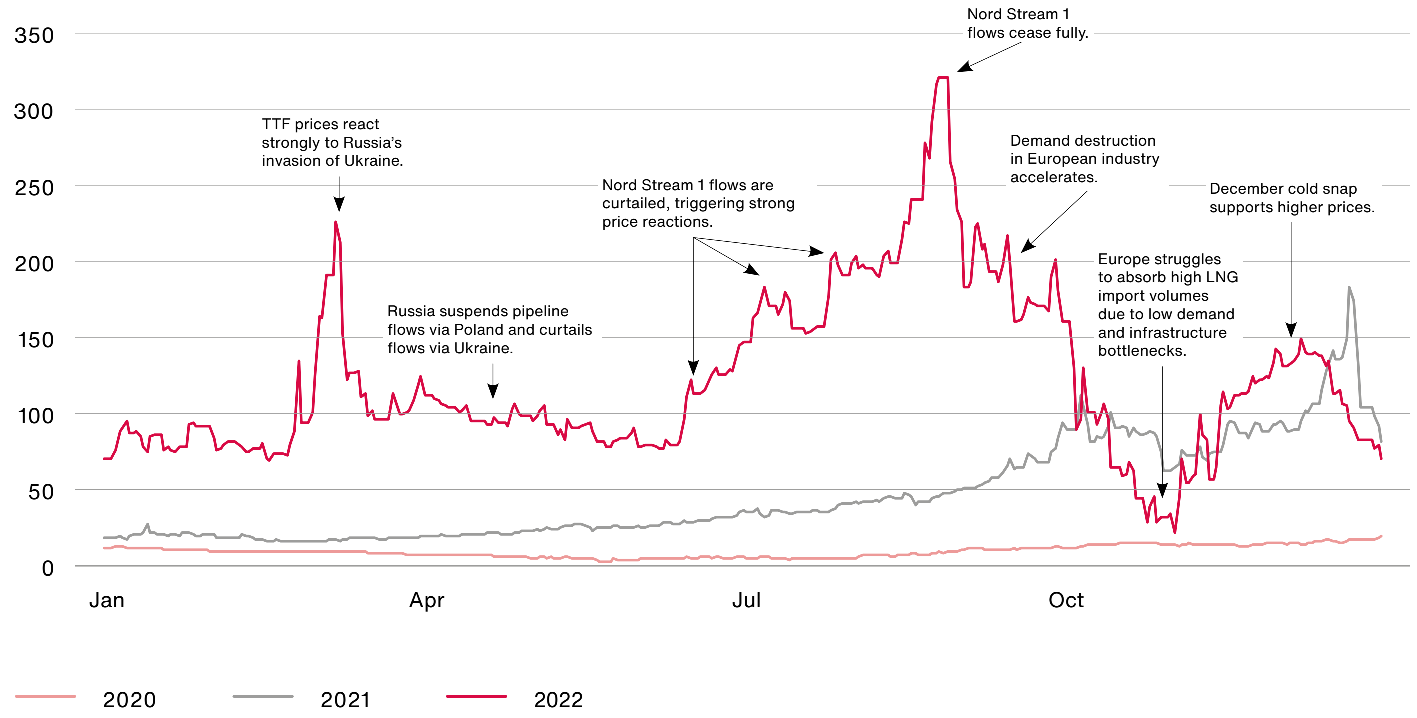


Figure 13: TTF outturn (day ahead) prices in EUR/MWh.

Source: AGSI, EP Commodities

Figure 15: Global gas prices.

Source: ICE, NYMEX

Prices remained at elevated levels over the course of summer 2022 in an effort to offset lost Russian pipeline volumes with LNG deliveries and demand reduction, reaching an all-time high of 322 EUR/MWh on the day ahead market in late August following further cuts in pipeline deliveries via the Nord Stream 1 pipeline.

European member states sought to limit the volatility on the TTF, which culminated in a new European Council directive in December 2022, establishing a cap for TTF prices if the month-ahead price on the TTF exceeds 180 EUR/MWh for three working days and if the month-ahead TTF price is 35 EUR/MWh higher than a newly created reference price for LNG on global markets for the same three working days. The price will be capped at the reference price for LNG plus 35 EUR/MWh, with the mechanism coming into force on 15 February 2023.

While TTF prices skyrocketed, the European market was faced with infrastructure constraints that led to severe congestion at its regasification facilities, in turn leading to higher costs for unloading slots. This meant that the TTF increasingly disconnected from the landed price of LNG delivered into Northwest Europe. Asia had only to price above the delivered LNG price for Northwest Europe rather than the TTF to attract spot LNG, in turn enabling the JKM to consistently price below the TTF curve over the course of last year. Sluggish Chinese demand weighed on JKM outright prices as Covid-related lockdowns curtailed demand for LNG, meaning buyers refrained from any spot purchases and even sold cargoes into the European market.

Sustained high prices across summer 2022 caused an acceleration of demand reduction measures across European industry and households, which – paired with continued high levels of LNG imports – allowed European prices to fall in September and the remainder of 2022.

This fall in prices was aided by extremely mild temperatures over October 2022, which weighed further on demand and allowed European storage to achieve a fill rate of 96% by the end of that injection season. Infrastructure bottlenecks and high storage fills in Northwest Europe meant that this region was struggling to absorb high levels of LNG imports amidst low demand, in turn causing prices to fall from an average 187 EUR/MWh in September 2022 to 75 EUR/MWh in October 2022.

Prices rebounded towards the end of the year amid a cold spell in December and averaged 115 EUR/MWh. However, colder weather in December revealed the magnitude of price-driven demand reduction in Europe even in colder weather, indicating the consumption pattern of households had drastically changed following the threefold increase in average gas prices over 2022. The significant demand reduction efforts from households opened downside for prices at the beginning of 2023, particularly as it enabled market participants to inject gas into storage in December and end 2022 with storages still 83% filled.

The beginning of 2023 was characterised by another spell of warm temperatures in January, allowing TTF outturn prices to fall to an average of 65 EUR/MWh, in line with the top of the coal-to-gas fuel switching range. This lower level is still three-times above the 2017–2021 average, with coal prices likely staying higher owing to tightness on global high-calorific value coal markets.

The top of the coal-to-gas fuel switch will likely continue to provide some resistance to TTF prices, which need to remain high enough to incentivise continued demand reduction from European industry and households. Upside price risks mainly emanate from the possibility of further supply disruptions of Russian gas and LNG exports, as well as any major outage within the global LNG balance or in Norway. Similarly, a stronger-than-expected rebound in Europe's industrial gas demand could also tighten the balance rapidly, although structurally higher energy prices and macroeconomic headwinds are likely to continue weighing on industrial gas demand this year.

In the United States, Henry Hub prices averaged 20 EUR/MWh over 2022, the highest annual average since 2008. Prices in the United States were supported by declining US production due to freeze-offs in January and February, as well as high net withdrawals from storage. Continued high feedgas demand from US LNG export facilities further tightened the US balance, particularly in combination with record-high summer power-sector gas demand. The shutdown of Freeport LNG in July 2022 reigned prices in, which fell further in Q4 2022 owing to high natural gas production and above-average September storage injections.

OIL

Crude oil prices broadly ended 2022 where they started, with the front-month Brent benchmark kicking off the year trading just below 80 USD/bbl and finishing it a touch above 86 USD/bbl.

The contract rallied in the first few months of the year as geopolitical risk around Russia and Ukraine, coupled with chronic underperformance by OPEC+ in meeting its output targets propelled prices higher. In the immediate aftermath of Russia's invasion of Ukraine, Brent soared to trade above 130 USD/bbl as markets battled with the emergence of a new global energy crisis.

In response to the war in Ukraine, Europe and other OECD countries imposed a series of sanctions on Russia. Although these largely attempted to exempt energy trade, Russian Urals grade crude oil quickly opened a steep discount to global benchmarks which would remain in place throughout the year as traditional buyers started to self-sanction and shun Russian oil.

With a minimal OPEC+ supply response, the US and IEA member countries moved to tap emergency reserves to provide short-term price relief amid global disruptions.

As oil prices climbed, crude differentials to petroleum products – known as crack spreads – surged to record highs after remaining muted through the pandemic. Weak refining margins during the pandemic led to reduction in capacity which meant bottlenecks formed in the supply chain when demand for products rebounded. US crack spreads, which had never surpassed 30 USD/bbl, in 2022 peaked above 60 USD/bbl.

These large spreads would ease through the year but remain elevated, offering consistent inflationary pressures even as crude prices eased.

Other disruptions in the oil market also supported refined product margins. Diesel margins in the Atlantic surged to all-time highs in October as strikes among refinery staff in France exacerbated the global shortage of distillates.

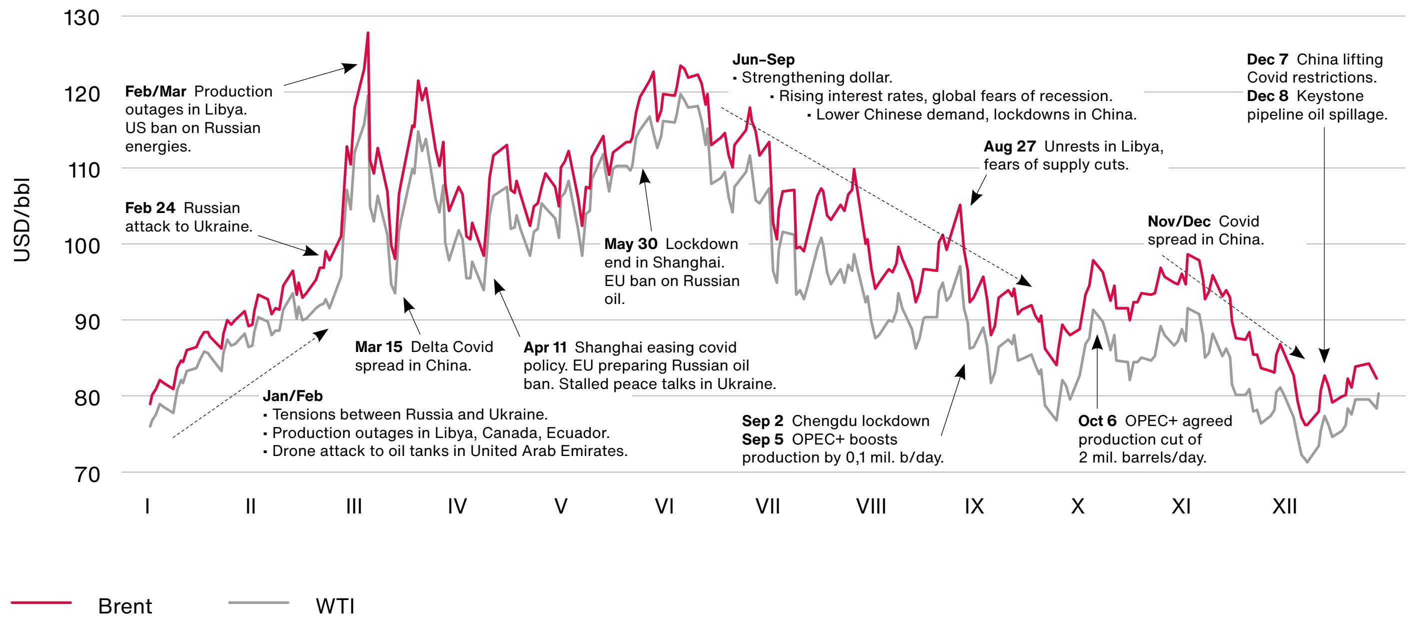


Figure 16: Key oil benchmark prices.

Source: ICE, EP Commodities

Brent continued to price above 100 USD/bbl through the first half of the year, before finally succumbing to demand-side pressure from June.

Demand growth decelerated in China, where it was weighed down by continuous lockdowns in response to outbreaks of the highly contagious COVID-19 variant Omicron. China's zero-covid policy, relatively weak vaccine uptake and low effectiveness of the domestically developed vaccine meant key population centres were often subject to severe restrictions – stifling economic activity and mobility. Through 2022, Chinese demand averaged 15.0 mb/day, down from 15.4 mb/day in 2021.

Meanwhile the high price environment across energy markets drove up inflation and slowed economic growth in OECD countries – particularly in Europe. Some switching away from gas to oil in for power generation in Europe and the Middle East offered only a partial relief.

Economic headwinds and muted Chinese demand helped to bring the oil market into balance with limited supply through the second half of the year, with Brent front-month prices falling to a low of 75 USD/bbl in mid-December.

The G7 price cap of 60 USD/bbl on Russian crude came into effect on 5 December, as a US ban and EU embargo on Russian imports were already in place – the controlled purchase would effectively only effect third countries. The ban would be enforced by maritime attestation that Russian crude was purchased at or below the cap. G7 based companies would only be allowed to provide transport and other services to Russian crude under these conditions. Piped oil was exempted from the cap – allowing landlocked countries like Hungary to continue imports.

The cap lacked support from OPEC and other buyers of Russian crude – principally China and India.

Equivalent measures on crude products were implemented on 5 February.

China's pivot away from zero-covid later in the year and move towards living with the virus raised the prospect of a return to oil demand growth in 2023. However, the rebound is unlikely to materialise until after the Lunar New Year while surges in cases associated with re-opening and potentially higher mortality rates could still lead to some lockdowns.

On the supply side, investment in non-OPEC production was lacking despite market signals. US shale producers found it hard to take advantage of the higher-priced environment as they were curtailed by supply chain issues and cost inflation. Capital discipline largely won out.

COAL

European coal prices were supported by a higher call on coal-fired power generation amid tightness in global gas markets. High gas prices incentivised a strong switch from gas to coal in the power sector, while the overall call on thermal power generation increased in 2022 due to lower non-thermal generation availability in Europe. Supply-side constraints limited the ability of coal producers to rapidly increase production, exacerbating the tightness on global coal markets. As a result, the Argus/McCloskey Coal Price Index API2, which tracks cost, insurance, and freight (CIF) prices in Europe averaged around 290 USD/t in 2022 compared to a 2017–2021 average of 82 USD/t.

The war in Ukraine further increased demand for thermal coal, particularly as European countries such as Germany reactivated previously idled coal-fired capacity to decrease the continent's call on gas-fired power generation. Overall, European Union coal demand increased by 6% y/y (29 Mt) in 2022.

The rise in European gas prices also had knock-on effects globally, raising the price of LNG and incentivising countries to switch to coal for power generation wherever possible. As a result, the quantity of coal used in electricity generation is expected to grow by over 2% in 2022 globally.

Countries such as Japan saw a 1.8% y/y increase in coal-fired power generation, while coal consumption in Bangladesh is expected to grow by 74% in 2022 owing to the commissioning of the two 660 MW blocks of the Payra power station in March and December 2021 and the country's displacement from the spot LNG market. Meanwhile, coal demand in India is expected to grow by 7% in 2022 as coal-fired power generation is keeping pace with stronger demand and fewer y/y LNG receipts.

While demand for thermal coal remained strong in 2022, constraints on the supply sided tightened the global balance. Flooding in Australia hindered coal production and transport leading Newcastle

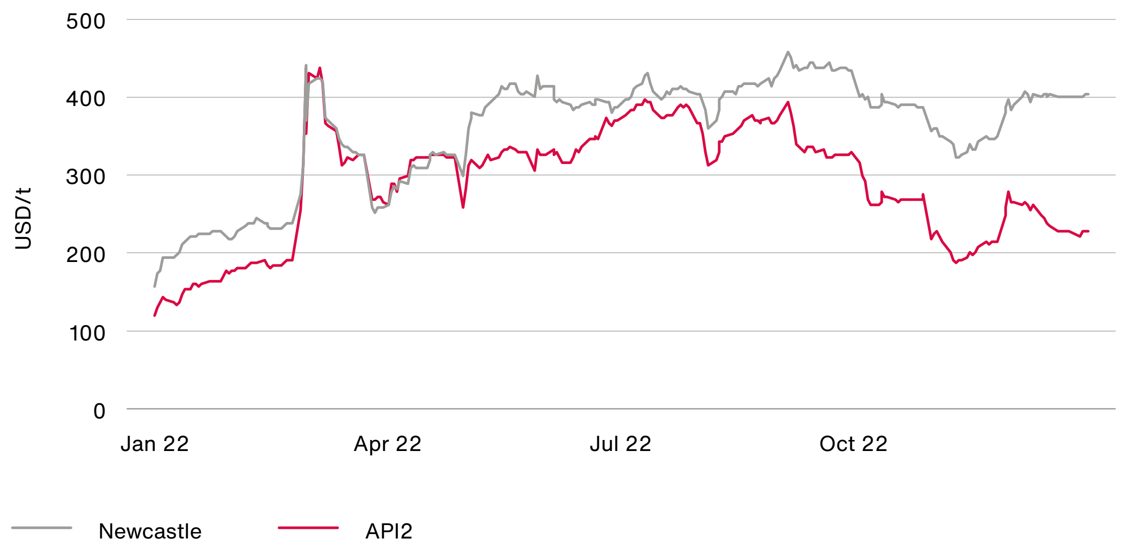


Figure 17: Global coal prices.

Source: ICE

free on board (FOB) prices to reach an all-time high of 425 USD/t in May 2022 while exports from South Africa were constrained by a lack of trains to carry coal from mines to port.

Coal producers in the United States struggled with investments, workforce shortages, and transport bottlenecks, leading to a marginal decline in US coal exports in 2022. As a result, global coal production – while expected to rise by 5% y/y in 2022 and reaching an all-time high of more than 8 billion tonnes – did not rise enough to offset the tightening impact of higher demand.

API2 prices were further supported by the EU's announcement in April of an embargo on Russian coal from August 2022 onwards. The loss of high-CV coal supplies from Russia, traditionally Europe's single largest supplier of thermal coal, meant that API2 prices had to price high enough to provide more attractive netbacks for Colombian and South African exporters than the Pacific-basin. While the shift to Russian coal by major importers such as China and India will likely rebalance markets to some extent, the coal embargo could have a net tightening effect on the global coal balance as logistical bottlenecks in Russian rail freight capacity towards eastern ports may limit the country's ability to maintain the same level of coal exports. This could provide further support for prices in 2023.

In response to skyrocketing global coal prices, China sought to increase domestic production, with South China's thermal coal import prices steadily trending downward from March to August. Additionally, demand growth for coal in China remained subdued as the country's economic growth remained hampered by Covid-related lockdowns. This put Newcastle prices under some pressure over summer 2022, although increased seasonal demand in the winter season caused prices to rebound.

EUA

European carbon allowance prices faced a volatile year in 2022. Lower non-thermal generation availability and high gas prices incentivising a maximised switch from gas to more carbon-intensive coal in the power sector bolstered EUA prices in Q4 21 and at the start of 2022.

However, carbon prices fell strongly after Russia's invasion of Ukraine stoked fears for the global economy and European economic growth. Prices plummeted from around 88 EUR/t prior to the invasion to a low of 58 EUR/t on 7 March 2022.

Prices regained some strength in the following months, bolstered by a continued high call on coal-fired power generation and increased switching towards more carbon-intensive fuels such as diesel, LPG, and fuel oil in Europe's industrial and refining sector. The reactivation of 10 GW of idled coal- and lignite-fired capacity in Germany as the country sought to limit gas demand from the power sector provided further support for prices.

But the extent of demand destruction among European industrials – i.e. reduced demand for fuels driven by output curtailments or fuel efficiency measures – remained a significant bearish factor for carbon markets throughout summer 2022.

Further bearish pressure came plans from the European Commission to sell carbon certificates to raise funds for the EU's REPowerEU project, aimed at diversifying energy supplies in the context of Russia cutting its pipeline gas exports to Europe.

Prices rallied as a mild start to winter with full gas storage tanks improved sentiment on European energy and the economic landscape. Additionally, negotiations between the Commission, the European Council, and the European Parliament over the Fit for 55 package (a set of proposals to revise and update legislation to ensure policies are in line with the climate) yielded various compromises.

These included the integration of maritime emissions in the ETS from 2024 and the end of free allowances for industrials over a nine-year period between 2026 and 2034, during which the EU's Carbon Border Adjustment Mechanism (CBAM) will be phased in.

A new ETS scheme for fuel for road transport and buildings will be established by 2027. The EU ETS will now aim for a 62% reduction in emissions by the end of the decade versus 2005, which will be achieved using a gradually rising linear reduction factor of 4.3% for 2024–2027 and 4.4% for 2028–2030. This will be combined with two rebases which will deduct 90 Mt of allowances in 2024 and 27 Mt in 2026.

The year-end rally in EUAs was amplified by a cold snap in December, which raised demand for power generation and heating purposes.

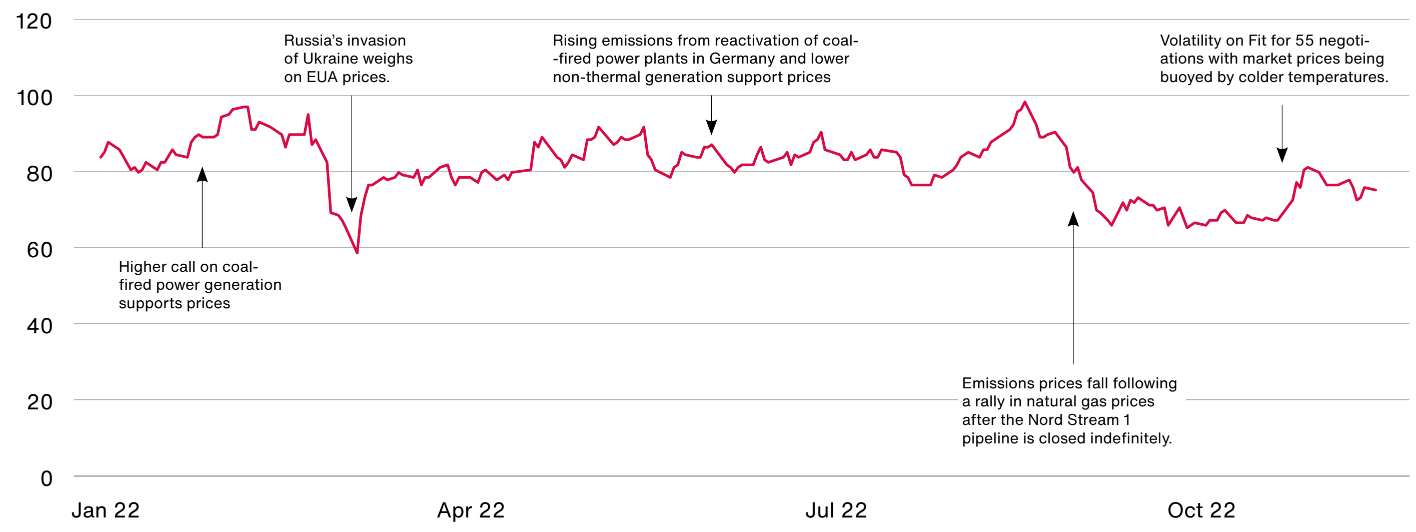


Figure 18: EUA prices in EUR/t.

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 2022.

EPH

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 2022, 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.

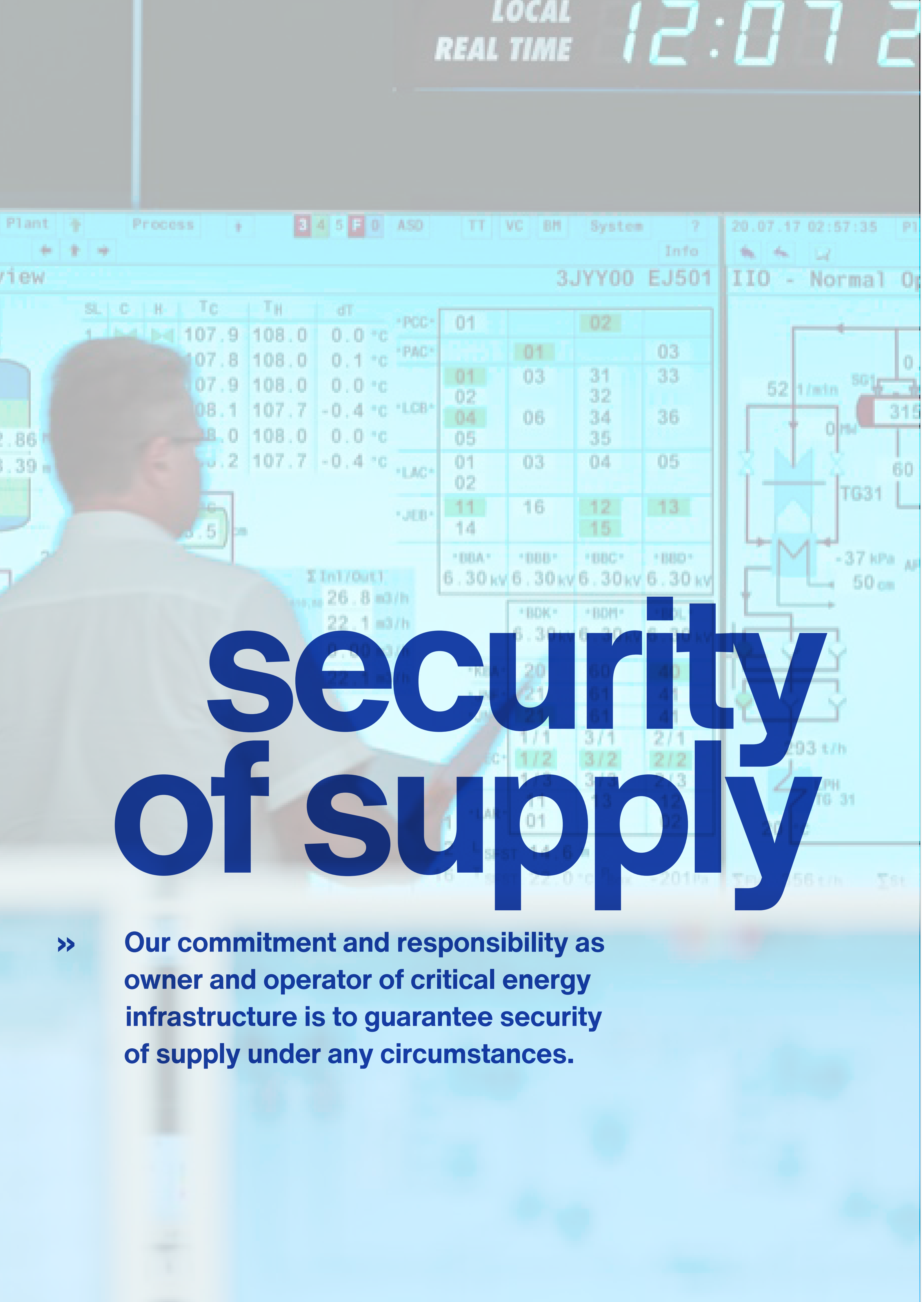
In our opinion, both accompanying financial statements give true and fair view of the assets, liabilities, financial position, profit or loss as well as cash flows for the financial year 2022. In addition, the Group´s review of operations includes a fair review of the development and performance of the 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, 17 April 2023

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors



security of supply

» **Our commitment and responsibility as owner and operator of critical energy infrastructure is to guarantee security of supply under any circumstances.**

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 2022 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.a.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.a.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 2022, the Company paid a profit share in excess of 10% of the Company's equity.

On 22 December 2022, the Company sold its equity investment in EP Real Estate, a.s. pursuant to the Equity Investment Transfer Agreement concluded between Energetický a průmyslový holding, a.s. as the seller and EP Corporate Group, a.s. as the buyer. The purchase price was paid in the form of a set-off against the payable arising from a profit share payment.

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 2022 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 2022, 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 16 July 2018, 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 20 November 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Investment Advisors, s.r.o. as the creditor.

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 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.

IN 2022, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES IN THE EP CORPORATE GROUP, A.S. GROUP WERE IN PLACE:

On 20 July 2020, 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.

On 3 December 2020, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Real Estate, a.s. as the debtor.

On 2 March 2022, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Corporate Group, a.s. as the debtor.

On 28 December 2022, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Corporate Group, a.s. as the creditor.

IN 2022, 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 20 August 2018, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the debtor and EP Commodities, a.s. as the creditor.

On 27 September 2018, 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 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 16 June 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 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 6 October 2021, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Commodities, a.s. as the debtor.

On 19 October 2021, a loan agreement, including valid amendments, was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources AG 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 16 March 2022, a loan agreement was signed between Energetický a průmyslový holding, a.s. as the creditor and EP Resources AG as the debtor.

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

V. 1. 2.

IN 2022, THE FOLLOWING AGREEMENTS ON THE SET-OFF OF RECEIVABLES AND PAYABLES WERE CONCLUDED IN THE EP CORPORATE GROUP, A.S.:

On 6 December 2022, an agreement on the set-off of receivables was signed between Energetický a průmyslový holding, a.s. and EP Corporate Group, a.s.

On 6 December 2022, an agreement on the assignment of a receivable was signed between Energetický a průmyslový holding, a.s. as the assignor and EP Corporate Group, a.s. as the assignee to a third party.

V. 1. 3.

IN 2022, THE FOLLOWING GUARANTEE ISSUANCE AGREEMENTS AND GUARANTEE FEE AGREEMENTS WERE IN EFFECT BETWEEN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. AND THE RELATED ENTITIES:

EP UK Investments Ltd
EP Commodities, a.s.
EP Resources CZ a.s.
EP Resources PL S.A.
EP Cargo Invest, a.s.
EP Cargo Deutschland GmbH
Gazel Energie Generation S.A.S.
Gazel Energie Solutions S.A.S.
EP Resources AG
EP Mehrum GmbH
EP Power Europe, a.s.
Aerodis
Illico SAS
Gazel Energie Renouvelables
Tynagh Energy Limited
Eggborough Energy Limited
EP Investment Advisors, s.r.o.
Surchiste, S.A.
Dynamo S.A.S.
EP Logistics International, a.s.
EP ENERGY DEVELOPMENTS LIMITED
Humbly Grove Energy Limited
RVA Consulting Engineers Limited
EP Kilroot Limited
EP France Management & Services
EP Produzione S.p.A.
Fiume Santo S.p.A.
EP NI Energy Limited
EP Sourcing, a.s.
Fusine Energia S.r.l. a socio unico
EP UK Power Development Ltd.

V. 1. 4.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP THAT WERE IN PLACE IN 2022:

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

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. GROUP THAT WERE IN PLACE IN 2022:

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 administrator.

On 5 April 2022, 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 CZ, a.s.

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

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP CORPORATE GROUP, A.S. THAT WERE IN PLACE IN 2022:

On 20 December 2022, an agreement on the provision of an additional equity contribution and set-off was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Real Estate, a.s.

On 22 December 2022, the Equity Investment Transfer Agreement was signed between Energetický a průmyslový holding, a.s as the seller and EP Corporate Group, a.s. as the buyer.

OTHER CONTRACTS CONCLUDED WITH COMPANIES IN THE EP POWER EUROPE GROUP THAT WERE IN PLACE IN 2022:

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 3 August 2022, 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 8 November 2022, 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 21 December 2022, an agreement on the provision of an additional equity contribution and set-off of receivables was signed between Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

On 22 December 2022, 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.

V. 1. 5.

IN 2022, 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 mediation agreement was signed between EP Investment Advisors, s.r.o. as the mediator, 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 financial guarantee for debts of EPH Financing CZ, a.s. issued by Energetický a průmyslový holding, a.s. on 10 February 2020.

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.

IN 2022, 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 2022, 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.

IN 2022, 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 with effect from calendar year 2022.

A professional services agreement concluded between EP BidCo a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

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 with effect from calendar year 2022.

A professional services agreement concluded between Nadace EP Corporate Group as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

A professional services agreement concluded between LEAG Innovative Energy, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

IN 2022, 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.àr.l as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2021.

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

IN 2022, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EC INVESTMENTS A.S. GROUP:

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 with effect from calendar year 2022.

A professional services agreement concluded between FAST ČR, a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

IN 2022, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE CZECH MEDIA INVEST A.S.:

A professional services agreement concluded between CZECH MEDIA INVEST 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 CMI FRANCE as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

A professional services agreement concluded between Czech Radio Center a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

IN 2022, THE FOLLOWING OPERATING AGREEMENTS WERE IN PLACE WITHIN THE EP GLOBAL COMMERCE A.S.:

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 with effect from calendar year 2022.

A professional services agreement concluded between EP Global Commerce GmbH as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

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 with effect from calendar year 2022.

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 with effect from calendar year 2022.

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 with effect from calendar year 2022.

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 with effect from calendar year 2022.

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 with effect from calendar year 2022.

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 with effect from calendar year 2022.

IN 2022, THE FOLLOWING OTHER OPERATING AGREEMENTS WERE IN PLACE:

A professional services agreement concluded between NEW CO SAB 279 as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

A professional services agreement concluded between PERIGO a.s. as the ordering party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

A professional services agreement concluded between SPRITER, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

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 with effect from calendar year 2022.

A professional services agreement concluded between Paris Real Estate FR as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

A professional services agreement concluded between 1890s holdings a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider with effect from calendar year 2022.

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 2022 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 2022 to 31 December 2022, includes all information regarding:

- 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.

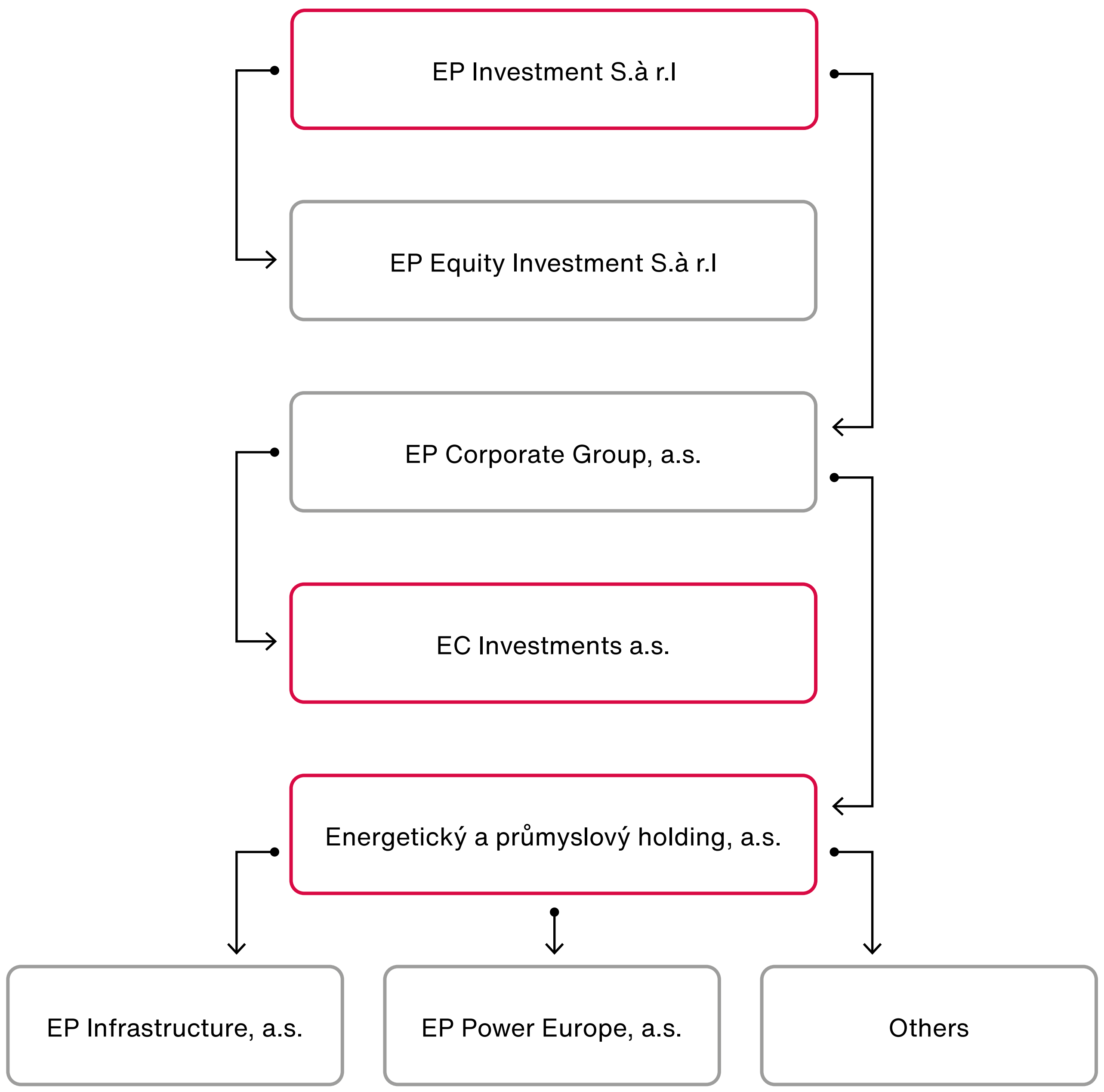
The Board of Directors of Energetický a průmyslový holding, a.s. further declares that Energetický a průmyslový holding, a.s. incurred no damage because of the actions of the controlling entity or of any entity controlled by the same entity. All transactions between the controlled entity and the controlling 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 2023

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.
EC Investments a.s.
Energetický a průmyslový holding, a.s.
EP Infrastructure, a.s.
EP Power Europe, a.s.
Others

Consolidated Audit Report

Deloitte.

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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 of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other Information in the Consolidated Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

In Prague on 17 April 2023

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

Consolidated Financial Statements for the year ended 31 December 2022

EPH

Consolidated Financial Statements

as of and for the year ended 31 December 2022

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 2022
In millions of EUR ("MEUR")

	Note	2022	2021* (restated)
Revenues	7	**37,122**	**18,956**
Purchases and consumables	8	**(29,638)**	**(14,596)**
Subtotal		**7,484**	**4,360**
Services	9	(701)	(560)
Personnel expenses	10	(659)	(575)
Depreciation, amortization and impairment	15, 16	(874)	(764)
Emission rights, net	11	(1,555)	(838)
Own work, capitalized		33	29
Other operating income (expenses), net	12	(256)	(130)
Profit (loss) from operations		**3,472**	**1,522**
Finance income	13	278	130
Change in impairment on financial instruments and other financial assets	13	136	(13)
Finance expense	13	(222)	(173)
Net finance income (expense)		**192**	**(56)**
Share of profit (loss) of equity accounted investees, net of tax	18	775	(8)
Gain (loss) from disposal of subsidiaries	6	227	33
Profit before income tax		**4,666**	**1,491**
Income tax expenses	14	(875)	(264)
Profit for the year		**3,791**	**1,227**
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment, net of tax	14, 15	-	3
Fair value reserve included in other comprehensive income, net of tax	14	111	77
Foreign currency translation differences from presentation currency	14	-	245

	Note	2022	2021* (restated)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	14	(18)	(291)
Effective portion of changes in fair value of cash-flow hedges, net of tax	14	141	(638)
Other comprehensive income for the year, net of tax		**234**	**(604)**
Total comprehensive income for the year		**4,025**	**623**
Profit attributable to:			
Owners of the Company		3,350	813
Non-controlling interest	26	441	414
Profit for the year		**3,791**	**1,227**
Total comprehensive income attributable to:			
Owners of the Company		3,477	457
Non-controlling interest	26	548	166
Total comprehensive income for the year		**4,025**	**623**
Total basic and diluted earnings per share in EUR	**25**	**0.84**	**0.20**

* Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

The notes presented on pages 112 to 325 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2022

In millions of EUR ("MEUR")

	Note	2022	2021
Assets			
Property, plant and equipment	15	11,649	11,931
Intangible assets and goodwill	16	627	520
Investment property	17	21	22
Equity accounted investees	18	1,221	951
Restricted cash	23	18	-
Financial instruments and other financial assets	30	740	395
Trade receivables and other assets	21	391	117
Prepayments and other deferrals		4	-
Deferred tax assets	19	295	159
Total non-current assets		**14,966**	**14,095**
Inventories, extracted minerals and mineral products	20	1,318	822
Trade receivables and other assets	21	5,313	3,858
Contract assets	7	100	37
Financial instruments and other financial assets	30	5,508	3,768
Prepayments and other deferrals		127	62
Current income tax receivable	14	88	27
Restricted cash	23	22	23
Cash and cash equivalents		3,010	2,497
Total current assets		**15,486**	**11,094**
Total assets		**30,452**	**25,189**
Equity*			
Share capital	24	161	170
Share premium	24	-	64
Reserves	24	723	600
Retained earnings		2,595	874
Total equity attributable to equity holders		**3,479**	**1,708**
Non-controlling interest	26	3,651	3,195
Total equity		**7,130**	**4,903**

	Note	2022	2021
Liabilities			
Loans and borrowings	27	7,039	6,087
Financial instruments and financial liabilities	30	441	672
Provisions	28	1,246	1,542
Deferred income	29	83	98
Contract liabilities	7	108	77
Deferred tax liabilities	19	1,929	1,752
Trade payables and other liabilities	31	92	89
Total non-current liabilities		**10,938**	**10,317**
Trade payables and other liabilities	31	4,316	2,240
Contract liabilities	7	71	79
Loans and borrowings	27	668	979
Financial instruments and financial liabilities	30	4,752	5,089
Provisions	28	1,867	1,482
Deferred income	29	64	28
Current income tax liability	14	646	72
Total current liabilities		**12,384**	**9,969**
Total liabilities		**23,322**	**20,286**
Total equity and liabilities		**30,452**	**25,189**

* The change in Equity items is a result of a change in accounting policies as described in Note 3(a).

The notes presented on pages 112 to 325 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	3(a)	(9)	(64)	-	(1)	25	2	-	(2)	2	47	-	-	**-**
Adjustment on initial application of IAS 37 amendment to onerous contract	2(f)	-	-	-	-	-	-	-	-	-	(173)	(173)	-	**(173)**
Adjusted balance at the beginning of the year (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 foreign operations	14, 24	-	-	-	-	(38)	-	-	-	-	-	(38)	20	**(18)**
Fair value reserve included in other comprehensive income, net of tax	14, 24	-	-	-	-	-	108	-	-	-	-	108	3	**111**
Revaluation reserve included in other comprehensive income, net of tax	14, 24	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Effective portion of changes in fair value of cash-flow hedges, net of tax	14, 24	-	-	-	-	-	-	-	-	57	-	57	84	**141**
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	26	-	-	-	-	-	-	-	-	-	(1,533)	(1,533)	(90)	**(1,623)**
Transfer to retained earnings		-	-	-	-	-	-	(30)	-	-	30	-	-	**-**
Transfer from non-distributable reserves – release of legal fund		-	-	-	-	-	-	-	-	-	-	-	-	**-**
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 (F)		**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**	**1**	**(1)**	**(2)**	**(3)**
Total transactions with owners (G) = (E + F)		**-**	**-**	**-**	**2**	**(2)**	**-**	**(30)**	**-**	**-**	**(1,503)**	**(1,533)**	**(92)**	**(1,625)**
Balance at 31 December 2022 (H) = (A + D + G)		**161**	**-**	**23**	**18**	**(132)**	**111**	**895**	**(56)**	**(136)**	**2,595**	**3,479**	**3,651**	**7,130**

The notes presented on pages 112 to 325 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

In millions of EUR ("MEUR")

	Note	Share capital	Share premium	Attributable to owners of the Company – 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 2021 (A)		**170**	**64**	**23**	**16**	**(54)**	**(66)**	**951**	**(54)**	**187**	**716**	**1,953**	**3,434**	**5,387**
Total comprehensive income for the year:				-	-	-	-	-	-	-	-	-	-	-
Profit or loss (B)		-	-	-	-	-	-	-	-	-	**813**	**813**	**414**	**1,227**
Other comprehensive income:		-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	14, 24	-	-	-	-	(132)	-	-	-	-	-	(132)	(159)	**(291)**
Foreign currency translation differences from presentation currency	14, 24	-	-	-	-	78	-	-	-	-	-	78	167	**245**
Fair value reserve included in other comprehensive income, net of tax	14, 24	-	-	-	-	-	77	-	-	-	-	77	-	**77**
Revaluation reserve included in other comprehensive income, net of tax	14, 24	-	-	-	-	-	-	3	-	-	-	3	-	**3**
Effective portion of changes in fair value of cash-flow hedges, net of tax	14, 24	-	-	-	-	-	-	-	-	(382)	-	(382)	(256)	**(638)**
Total other comprehensive income (C)		-	-	-	-	**(54)**	**77**	**3**	-	**(382)**	-	**(356)**	**(248)**	**(604)**
Total comprehensive income for the year (D) = (B + C)		-	-	-	-	**(54)**	**77**	**3**	-	**(382)**	**813**	**457**	**166**	**623**
Contributions by and distributions to owners:		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	26	-	-	-	-	-	-	-	-	-	(700)	(700)	(379)	**(1,079)**
Transfer to retained earnings		-	-	-	-	-	(10)	(29)	-	-	39	-	-	-
Transfer to non-distributable reserves – creation of legal fund		-	-	-	1	-	-	-	-	-	(1)	-	-	-
Total contributions by and distributions to owners (E)		-	-	-	**1**	-	**(10)**	**(29)**	-	-	**(662)**	**(700)**	**(379)**	**(1,079)**
Changes in ownership interests in subsidiaries:		-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of disposed entities	6	-	-	-	-	(9)	-	-	-	-	4	(5)	(24)	**(29)**
Effect of changes in shareholding on non-controlling interest	6	-	-	-	-	-	-	-	-	-	3	3	(2)	**1**
Total changes in ownership interests in subsidiaries (F)		-	-	-	-	**(9)**	-	-	-	-	**7**	**(2)**	**(26)**	**(28)**
Total transactions with owners (G) = (E + F)		-	-	-	**1**	**(9)**	**(10)**	**(29)**	-	-	**(655)**	**(702)**	**(405)**	**(1,107)**
Balance at 31 December 2021 (H) = (A + D + G)		**170**	**64**	**23**	**17**	**(117)**	**1**	**925**	**(54)**	**(195)**	**874**	**1,708**	**3,195**	**4,903**

The notes presented on pages 112 to 325 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022
In millions of EUR ("MEUR")

	Note	2022	2021
OPERATING ACTIVITIES			
Profit for the year		3,791	1,227
Adjustments for:			
Income tax expenses	14	875	286
Depreciation, amortization and impairment	15, 16	874	742
Dividend income	13	(7)	(6)
Change in impairment on financial instruments and other financial assets	13	(136)	13
Non-cash (gain) loss from commodity and freight derivatives, net	7	(1,013)	652
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	12	(1)	14
Emission rights	11	1,555	838
Share of (profit) loss of equity accounted investees	18	(775)	8
Gain on disposal of subsidiaries	6(d)	(227)	(33)
(Gain) loss from financial instruments	13	(241)	(20)
Net interest expense	13	143	142
Change in allowance for impairment to trade receivables and other assets, write-offs	12	90	38
Change in provisions	28	(35)	(30)
Other finance fees		10	11
Unrealized foreign exchange gains (losses), net		(57)	(142)
Operating profit before changes in working capital		**4,846**	**3,740**
Change in trade receivables, other assets, prepayment and other deferrals and contract assets		(1,639)	(1,801)
Change in inventories, extracted minerals and mineral products		(708)	(188)
Change in assets held for sale and related liabilities		-	1
Change in trade payables and other liabilities, deferred income and contract liabilities		1,796	764
Change in restricted cash		(17)	11
Cash generated from (used in) operations		**4,278**	**2,527**
Interest paid		(156)	(167)
Income taxes paid		(407)	(416)
Cash flows generated from (used in) operating activities		**3,715**	**1,944**

	Note	2022	2021
INVESTING ACTIVITIES			
Dividends received from associates and joint-ventures		4	4
Dividends received, other		7	6
Purchase of financial instruments		(37)	(24)
Loans provided to other entities		(1,766)	(210)
Repayment of loans provided to other entities		1,505	221
Proceeds (outflows) from sale (settlement) of financial instruments		(341)	(385)
Acquisition of property, plant and equipment, investment property and intangible assets	15, 16, 17	(752)	(441)
Purchase of emission rights	16	(1,230)	(472)
Proceeds from sale of emission rights		11	262
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		15	15
Acquisition of associates and joint ventures	6	(60)	-
Acquisition of subsidiaries, net of cash acquired	6	(15)	(88)
Net cash inflow from disposal of subsidiaries	6	(4)	-
Increase in participation in existing subsidiaries, joint-ventures and associates	6	2	(2)
Decrease in participation in existing subsidiaries, joint-ventures and associates	6	-	3
Capital contributions paid to associates and joint ventures		(2)	-
Interest received		44	5
Cash flows from (used in) investing activities		**(2,619)**	**(1,106)**
FINANCING ACTIVITIES			
Proceeds from borrowings received	27	2,458	2,655
Repayment of borrowings	27	(1,795)	(2,053)
Proceeds from bonds issued, net of transaction fees	27	98	1,010
Repayment of bonds issued	27	(146)	(582)
Finance fees paid from repayment of borrowings and bond issue		(6)	(11)
Payment of lease liability	33	(70)	(31)
Loans provided to non-controlling shareholders as a prepayment for a dividend		-	(220)
Dividends paid to associates and joint ventures		(14)	(18)
Dividends paid		(1,113)	(849)
Cash flows from (used in) financing activities		**(588)**	**(99)**
Net increase (decrease) in cash and cash equivalents		*508*	*739*
Cash and cash equivalents at beginning of the year		**2,497**	**1,753**
Effect of exchange rate fluctuations on cash held		5	5
Cash and cash equivalents at end of the year		**3,010**	**2,497**

The notes presented on pages 112 to 325 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 2022 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates and joint-ventures (together referred to as the "Group" or the "EPH Group"). The Group entities are listed in Note 36 – Group entities.

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	56.00
J&T ENERGY HOLDING, a.s.	71	44.00	44.00
Total	**161**	**100.00**	**100.00**

The shareholders of the Company as at 31 December 2021 were as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
EP Corporate Group, a.s.	95	56.00	56.00
J&T ENERGY HOLDING, a.s.	75	44.00	44.00
Total	**170**	**100.00**	**100.00**

The movement of the share capital is a result of a change in the functional currency of the Parent Company as at 1 January 2022. For more details refer to Note 3(a).

The members of the Board of Directors of the Company as at 31 December 2022 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

CHANGES IN 2021

On 29 June 2021, company J&T ENERGY HOLDING, a.s. acquired 44% plus one share from KUKANA ENTERPRISES LIMITED. The structure of voting rights changed as follows:

- EP Corporate Group, a.s. 53%
- EP Investment II S.à r.l. 3% plus one share
- J&T ENERGY HOLDING, a.s. 44% minus one share

In August 2021, after a series of transactions the ownership structure of the Company changed as follows:

- EP Corporate Group, a.s. 56% plus one share
- J&T ENERGY HOLDING, a.s 44% minus one share

These transactions have not resulted in a change of the ultimate shareholder of the Group.

In 2021, the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and disposals of subsidiaries.

CHANGES IN 2022

No change in the shareholder structure occurred in the year ended 31 December 2022.

2. Basis of preparation

A STATEMENT OF COMPLIANCE

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

The consolidated financial statements were approved by the Board of Directors on 17 April 2023.

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 2022 financial statements or going concern assumption in 2023. 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

From 1 January 2022, the Company's functional currency is Euro ("EUR"). The consolidated financial statements for the year ended 31 December 2022 are prepared in Euro, which also the Group's presentation currency.

Until 31 December 2021, the Company's functional currency was Czech crown ("CZK") and the consolidated financial statements for the year ended 31 December 2021 were prepared in CZK and presented in EUR, which was the Group's presentation currency. For details on the change in the functional currency of the Parent Company from 1 January 2022, refer to Note 3(a).

E USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise 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 17 – measurement of investment properties at fair value;

- Note 20 – measurement of inventories for trading at fair value less cost to sell;
- Note 28 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 27, 30 and 34 – valuation of loans and borrowings and financial instruments;
- Note 37 – 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, 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 26 – information relating to assessment of control over subsidiaries;
- Note 28 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 30 – own use exemption application for forward contracts on power and CO_2 emission allowances;
- Note 30 and 34 – hedge accounting application;
- Note 31 – classification of transactions which contain a financing element.

F RECENTLY ISSUED ACCOUNTING STANDARDS

I. NEWLY ADOPTED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022 THAT HAVE BEEN APPLIED IN PREPARING THE GROUP'S FINANCIAL STATEMENTS

The following paragraphs provide a summary of the key requirements of IFRSs that are effective for annual periods beginning on or after 1 January 2022 and that have thus been applied by the Group for the first time.

Amendments to IFRS 3 – Updating a Reference to the Conceptual Framework; IAS 16 – Proceeds before Intended Use, IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract and Annual Improvements 2018–2020 (Effective for annual reporting periods beginning on or after 1 January 2022)

Amendments to IFRS 3 update references to the Conceptual Framework, amendments to IAS 16 prohibit a company from deducting from the cost of property amounts received from selling items produced while the company is preparing the asset for its intended use and recognizes such sales and related cost in profit or loss and amendments to IAS 37 specify which costs a company includes when assessing whether a contract will be loss-making. Costs of fulfilling the contract comprise incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements affect the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplified the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences), IFRS 9 Financial Instruments (clarified the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability), IAS 41 Agriculture (removed a requirement to exclude cash flow from taxation when measuring fair value) and the Illustrative Examples accompanying IFRS 16 Leases.

The Group has adopted Amendment to IAS 37 to the contracts for which it has not yet fulfilled all its obligations on 1 January 2022. The cumulative effect of the initial application and recalculation of the provisions for the onerous contract are recognized as an adjustment to the opening balance of retained earnings. Comparative information was not restated.

Following table summarizes the effect on the Group's financial statements as of 1 January 2022:

In millions of EUR

1 January 2022	As issued prior to amendment to IAS 37 adoption	Impact of adoption of amendment to IAS 37	Adjusted as at 1 January 2022(1)
Equity accounted investees	951	(173)	778
Total non-current assets	**951**	**(173)**	**778**
Retained earnings	874	(173)	701
Total equity	**874**	**(173)**	**701**

(1) Adjusted opening balance as at 1 January 2022 is further influenced by the change of functional currency of the parent entity. For details refer to Note 3(a).

Impact of adoption of amendment to IAS 37 arises from the recalculation of the provision for onerous contract by equity accounted investee LEAG.

Remaining amendments applied by the Group for the first time do not have any material impact on the Group's financial statements.

II. STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following significant Standards and Amendments to Standards have been issued but are not yet effective for the period ended 31 December 2022 and thus have not been adopted by the Group:

IFRS 17 Insurance Contracts and Amendment to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023)

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17 combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; presents insurance service results separately from insurance finance income or expenses; and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Because of the nature of the Group's main business the Standard will have no impact on the Group's financial statements.

Amendments to IFRS 17 Insurance contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Effective for annual reporting periods beginning on or after 1 January 2023)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17 to help entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

Because of the nature of the Group's main business the Standard will have no impact on the Group's financial statements.

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 (not adopted by EU yet))

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 IAS 1 and IFRS Practice Statement 2 – Disclosure Initiative – Accounting Policies (Effective for annual reporting periods beginning on or after 1 January 2023)

The amendments introduce "material accounting policies" and requires the entity to disclose information about material instead of significant accounting policies and clarify that accounting policy information may be material because of its nature even if the related amounts are immaterial. The amendments also specify how the material accounting policies may be identified.

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

Amendments to IAS 8 – Definition of Accounting Estimates (Effective for annual reporting periods beginning on or after 1 January 2023)

The amendments introduce the new definition of accounting estimate and requires the entities to develop accounting estimates to be measured in a way that involves measurement uncertainty. The amendment also specifies that change in accounting estimate that results from new information is not the correction of an error and may affect only the current period's profit or loss or the profit or loss of both the current and future periods.

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

Amendments to IAS 12 – Deferred tax Related to Assets and Liabilities arising from a Single Transaction (Effective for annual reporting periods beginning on or after 1 January 2023)

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, the entity is required to recognize deferred tax asset and liability and initial recognition exemption does not apply.

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 (not adopted by EU yet))

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.

The Group has not early adopted any IFRS 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. Significant 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

CHANGE IN FUNCTIONAL CURRENCY OF THE PARENT COMPANY

As of 1 January 2022, the functional currency of the Parent Company changed from Czech crown to Euro. The Management of EPH has assessed primary and secondary criteria of IAS 21 and has concluded that Euro represents more faithfully the primary economic environment in which the Company operates. The change was mainly triggered by Euro becoming a prevailing currency in which funds from financing activities are obtained and income from the principal activities (dividend revenues, revenues from services rendered) has been generated in recent years and management no longer expects a major change in future. As at the date of the change of the functional currency, all items of assets, equity and liabilities of the Parent Company were translated from Czech crown to Euro using foreign exchange rate as at the date of change (24.86 CZK/EUR). For non-monetary items, the translated amounts have become new historical cost.

As a result of the change in the functional currency of the Parent Company, the Group has adopted Euro as the currency in which consolidated financial statements are prepared. Operations of subsidiaries whose functional currency is Euro are no longer considered as foreign operations. Conversely, subsidiaries whose functional currency is Czech crown have become foreign operations. The change of the functional currency of the Parent Company and the change in the assessment of foreign operations has been recorded prospectively. The presentation currency of the Group has not been affected and remains to be Euro and thus comparative information has not been restated.

The change of the functional currency of the Parent Company has had the following effect on the consolidated opening balances as at 1 January 2022:

In millions of EUR

1 January 2022	Balance as at 1 January 2022	Effect of change in functional currency	Adjusted balance as at 1 January 2022(1)
Share capital	170	(9)	161
Share premium	64	(64)	-
Other capital funds from capital contributions	23	-	23
Non-distributable reserves	17	(1)	16
Translation reserve	(117)	25	(92)
Fair value reserve	1	2	3
Revaluation reserve	925	-	925
Other capital reserves	(54)	(2)	(56)
Hedging reserve	(195)	2	(193)
Retained earnings	874	47	921
Total equity attributable to owners of the Company	1,708	-	1,708
Non-controlling interest	3,195	-	3,195
Total equity	**4,903**	**-**	**4,903**

(1) Adjusted opening balance as at 1 January 2022 is further influenced by the adjustment on initial application of IAS 37 amendment to onerous contract. For details refer to Note 2(f).

CHANGES IN STRUCTURE OF THE STATEMENT OF COMPREHENSIVE INCOME

In 2022, the Group changed its structure of the statement of comprehensive income. The major changes are as follows:

- new expense line item "Services" presented within "Profit (loss) from operations" includes expenses previously included within "Repairs and maintenance" as well as expenses on services previously included in "Purchases and consumables" and in "Other operating expenses";
- line item "Depreciation, amortization and impairment" includes impairment of non-financial assets previously presented in "Other operating expenses";
- line item "Other operating income (expense), net" aggregates former "Other operating income", "Other operating expenses" (except for the expenses reclassified into "Services") and "Taxes and charges";
- former line item "Profit/(loss) from financial instruments" is classified within "Finance income" or "Finance expenses" based on the total result being either profit or loss;
- the changes had no impact on calculation of Profit/(loss) for the period.

The changes have been made to reflect more precisely the activities of the Group and capture its financial performance in a manner that is the most useful to its users. As a result of the change, the Group restated comparative information for 2021 in line with IAS 1 requirements. For details of the restatement, refer to Appendix 2 – Restated Consolidated statement of comprehensive income.

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. Investments in associates are accounted for under the equity method and are initially recognised at cost. 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 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 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 the acquisition date.

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

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 agree 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 the 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 the 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 the acquisition date.

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

IX. DISPOSAL OF SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEES

Gain or loss from the sale of investments in subsidiaries 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 sold by selling the interest in a subsidiary or an associate the profit or loss on sale is recognised in total under Gain (loss) on disposal of subsidiaries, joint-ventures 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 the acquisition (refer to Note 3(b) vii – Pricing differences), the 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 34 – 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 financial income or expense in the 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

Significant Accounting Policies

- 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Gas transmission pipelines of eustream, a.s. and 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under intangible assets. Goodwill on acquisitions of associates/joint ventures is included in the carrying amount of investments in associates/joint ventures.

If the 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 annually for impairment.

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

Intangible assets acquired in a business combination are 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 development and to use or sell the asset.

In 2022 and 2021, 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. AMORTISATION

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.

Property that is being constructed or developed for future use as investment property is classified as investment property.

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income from investment property is accounted for as described in the accounting policy (o) – Revenue.

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.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases (lease term 12 months or shorter). The Group recognises the lease payments associated with these leases as an expense.

An accounting unit uses this standard for all rentals, including a rental with a right of use as a part of sub-leasing, with the exception of rental for the purpose of investigating or using minerals, oil, natural gas and similar renewable resources; rental of biological assets as a part of the IAS 41 Agriculture standard held by the lessee; concessions for services as a part of IFRIC 12 Service Concession Arrangements; licences for intellectual property provided by the lessor to the extent of IFRS 15 Revenue from Contracts with Customers; and intangible assets in scope of IAS 38 Intangible Assets.

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.

LEASE OF LAND OR LEASE OF LAND AND BUILDING

In the event of the lease of land that is not covered by IAS 40 or IAS 2, it is always an operating lease. In the case of the lease of a building and land, the total rent is divided proportionately into rent for the building and rent for the land in accordance with the fair value.

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.

SUBLEASING

The classification of subleasing into financial and operating is governed primarily by the original agreement, where, if the primary agreement is short-term, it is always an operating leasing arrangement and then the properties of the actual sublease are assessed. When assessing the classification, the value of a right-of-use asset, not the value of the underlying asset, is taken into consideration. If the lessee provides or assumes that it will provide subleasing of an asset, the main leasing arrangement does not meet the conditions for leasing of low value assets.

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.

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.

Any separate major line of business or geographical area of operations or significant part of business, which is decided to be sold, is classified as discontinued operations and is presented in profit or loss under separate line Profit (loss) from discontinued operations, net of tax.

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

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed 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 – gas transmission pipelines owned and operated by eustream, a.s. and 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, a.s. and as at 1 August 2018 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 Central European energy group that owns and operates assets primarily in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Ireland, France and Switzerland. EPH is vertically integrated and covers the complete value chain in the energy sector ranging from 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 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 operating profit before depreciation, amortization and negative goodwill (or “Underlying EBITDA”) and capital expenditures (excl. emission rights, right-of-use assets and goodwill).

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 and the Czech Republic, 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 is part of the Central Corridor which is one of the largest and the most important piped gas import routes into Europe based on volume of gas transmitted. Eustream’s pipelines have a unique positioning to supply gas to Central European and Southern European gas markets, irrespective of the gas source and flows pattern.

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. In addition, a portion of revenue is generated via sale of gas in-kind, which Eustream receives from shippers and which remains in the network of Eustream after serving the network’s technological needs.

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 will sell 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 has to be always provided to the customer. Revenue is recognised based on the booked capacity stipulated in the contract (fixed element) and actual transmitted volume which affects the amount of gas in-kind received from the shippers (variable element).

Since 2005 charges are fully regulated by Energy Regulatory Authority (“RONI”). The regulatory framework provides a stable and sustainable environment for the transmission business. Until the end of 2021, transmission tariffs in the Slovak Republic were set directly by RONI purely based on a direct comparison of tariffs (also known as benchmarking) with other TSOs, primarily competitors across Europe, and were not directly impacted by natural gas prices or other elements (except for EU inflation rate). From January 2022, benchmarking of tariffs remained to be used as the secondary adjustment of the reference prices calculated primarily on the cost base principles. Gas transmission prices in existing contracts are generally not affected by tariff changes as tariffs are generally fixed for the life of the applicable contract (subject only to adjustments to reflect inflation), but the gas transmission prices in new contracts are set under at then applicable regulation and thereafter are held constant.

Because of the contractual nature of the long-term contract with the prominent Russian shipper of gas, management carefully assessed the contractual conditions with 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 Power distribution division, Gas distribution division and 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 review and approval of 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 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 are recognised when the electricity and gas is delivered to the customer. With respect to SSE, RONI regulates certain aspects of the SSE's relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Prices of electricity and gas for households and small business are regulated by RONI. The price of electricity for the wholesale customers is not regulated. With respect to supply activities in the Czech Republic, prices for end-consumers are not regulated. In reaction to the 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 34(f)).

EPET and SSE also purchase and sell power, including sales in the wholesale market of electricity generated by the Group in its Heat Infra Business and purchases of electricity and natural gas to supply customers as part of the division's supply activities. The majority of the Group's trades are conducted on a back-to-back basis.

GAS STORAGE

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

The Group stores natural gas in two locations in the Czech Republic and Slovakia 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 they bear all entry exit fees in relation to the access to the Austrian market. The storage capacities are utilised for injection, withdrawal and storage of natural gas according to seasonal needs to ensure the standards of security of supply based on the valid legislation and to utilise short-term market volatility of gas prices. Charges for storage are agreed upon the period of contracts. Fee for storage depends primarily on the booked capacity per year and annual price indices, furthermore products with higher deliverability and flexibility are priced with a premium. The short-term storage capacity is mainly sold at prices derived from spreads between summer and winter prices.

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. 10.9 GW[1] (on consolidated basis, excluding equity-accounted investees) and with a balanced portfolio of gas and coal fired power plants, as well as renewables in the form of biomass, wind and solar power plants, EPPE Group belongs to the top power producers in Europe. In addition, the Group has been investing into new low emission sources in Italy, Ireland and the UK (installed capacity of the new power plants under construction is approx. 2.7 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 and France and supply business activities in France), Renewables (including activities in Germany, the UK, Italy and France) and Other (including mining activities). Prior-period comparative information in segment analysis has been restated to reflect the new segment allocation.

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 7.9 GW[2].

In addition to these, Group's joint ventures are building a new power plant for a grid security with 0.3 GW of installed capacity in Germany and operate a power plant with installed capacity of 0.8 GW in Italy.

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 energy market both have been called back into operation by respective governments of Germany and France during 2022 to support the electricity grid and security of supply.

2 In addition to 7.9 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. 2.7 GW).

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 1,365 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.

EP Kilroot Limited is a coal-fired power station located in Northern Ireland with the total capacity of 665 MW including 142 MW OCGT unit and 10 MW battery storage facility. Coal units in the Kilroot plant are expected to be decommissioned in September 2023. The Group already started 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 CCGT can operate in several different modes and has the lowest minimum generation for CCGT on the Irish market. Currently, it is fully contracted under PPA (Power Purchase Agreement) with the Power Procurement Board until September 2023.

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 gas and power supply business activities (France). Overall installed capacity of Group's mainly coal fired power plant fleet in this segment is 2.4 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 should have been decommissioned in 2022 but have been called into action by government of France to support the electricity grid and security of supply and also 150 MW biomass power plant in Provence. The biomass power plant had the power demand secured by a long-term PPA contract which has however been intentionally ended in Autumn 2022. 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.

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 during the year the power plant has been called back into operations by the government of Germany to support the electricity grid and security of supply. The power plant has a very flexible design, which means that the net operating range of the power plant can be between 150 MW and 690 MW.

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.

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.

EP Commodities, a.s. and EP Commodity Solutions AG specialize in trading of energy commodities, transit and storage capacities. These two entities deal with transactions in natural gas, power, emissions allowances and structural products like spreads across Europe. They focus on countries where the EPH Group has its assets, or where liquidity enables efficient trading. Besides physical trading, these entities realize financial hedging of assets as well as sourcing portfolio of end-users in EPH Group companies.

Humbly Grove Energy Limited owns and operates an underground gas storage facility in Hampshire, UK with capacity of 2.7 TWh of gas.

EP Resources AG, located in Switzerland, with offices also in Singapore and Germany, handles the procurement of commodities and freight requirements of EPH's power facilities located in Germany, Italy, France and the UK. EP Resources is a growing global franchise across energy,

Operating segments

leveraging EPH's in-house demand to offer global clients a portfolio of trading, marketing, freight and logistic services across commodities and freight and thereby adding value to global clients.

In addition to those, Group's joint ventures operate additional power plants with 7.9 GW of installed capacity in Germany.

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.

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 newly also in Finland and the Netherlands after the newest acquisition of Sibelco abrasives activities in those countries.

EPPE OTHER

Mining

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

Mitteldeutsche Braunkohlengesellschaft ("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. MIBRAG is the sole shareholder of companies GALA-MIBRAG-Service GmbH, Bohr- und Brunnenbau GmbH, MIBRAG Consulting International GmbH and MIBRAG Neue Energie GmbH. 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.

Operating segments

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 70% of the country's total electricity production. With a net installed capacity of 4.3 GW, it is one of the largest electricity producers in Central and Eastern Europe. Its unique portfolio enables it to produce almost 95% of electricity without greenhouse gases, avoiding 16 million tons of carbon dioxide emissions every year. The company is currently completing units 3 and 4 of the Mochovce Nuclear 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 also newly included in this segment.

HOLDING ENTITIES

The Holding entities segment is mainly represented by Energetický a průmyslový holding, a.s., EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s., Czech Gas Holding Investment B.V., EP Power Europe, a.s., EPPE Germany a.s., LEAG Holding, a.s., EP New Energy Italia S.r.l., EP France S.A.S., EP Netherlands B.V., EP Slovakia B.V., and Slovak Power Holding B.V.

The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries and associates.

Operating segments

PROFIT OR LOSS

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)	-	-	-	1,005	-	(1)	-	-	1,003	10	-	1,013
Total revenues	**342**	**3,143**	**470**	**728**	**12**	**32,219**	**1,169**	**371**	**-**	**196**	**38,650**	**21**	**(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)	-	(1,343)	(1)	(17)	-	-	(1,554)	(1)	-	(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**	**2,251**	**269**	**30**	**-**	**2**	**3,538**	**(70)**	**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 and associates	-	-	-	-	-	-	-	-	-	-	-	227	-	227
Profit (loss) before income tax	**223**	**302**	**347**	**143**	**2**	**2,896**	**227**	**113**	**83**	**32**	**4,368**	***1,109**	***(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**	**2,416**	**128**	**71**	**83**	**30**	**3,504**	***1,098**	***(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	2,436	377	91	-	30	4,378	(36)	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 of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures and associates, depreciation of property, plant and equipment, amortisation of intangible assets, impairment of property, plant and equipment and intangible assets and negative goodwill.

Operating segments

FOR THE YEAR ENDED 31 DECEMBER 2021 (RESTATED)[1]

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	563	2,076	252	422	5	15,069	684	191	-	36	19,298	-	(871)	18,427
external revenues	*334*	*1,806*	*213*	*220*	*5*	*14,963*	*684*	*183*	-	*19*	*18,427*	-	-	*18,427*
of which: electricity	-	*1,211*	-	*54*	*5*	*8,663*	*661*	*10*	-	-	*10,604*	-	-	*10,604*
gas	*334*	*595*	*213*	-	-	*6,288*	-	-	-	-	*7,430*	-	-	*7,430*
coal	-	-	-	*23*	-	*12*	-	*170*	-	*19*	*224*	-	-	*224*
heat	-	-	-	*143*	-	-	-	*3*	-	-	*146*	-	-	*146*
other energy products	-	-	-	-	-	-	*23*	-	-	-	*23*	-	-	*23*
inter-segment revenues	*229*	*270*	*39*	*202*	-	*106*	-	*8*	-	*17*	*871*	-	*(871)*	-
Revenues: Logistics and freight services	-	-	-	-	-	704	-	42	-	122	868	-	(7)	861
external revenues	-	-	-	-	-	*704*	-	*42*	-	*115*	*861*	-	-	*861*
inter-segment revenues	-	-	-	-	-	-	-	-	-	*7*	*7*	-	*(7)*	-
Revenues: Other	-	8	3	6	5	176	59	62	-	18	337	5	(22)	320
external revenues	-	*8*	-	*6*	*5*	*172*	*55*	*62*	-	*10*	*318*	*2*	-	*320*
inter-segment revenues	-	-	*3*	-	-	*4*	*4*	-	-	*8*	*19*	*3*	*(22)*	-
Gain (loss) from commodity and freight derivatives, net	-	(59)	-	-	-	(588)	-	(5)	-	-	(652)	-	-	(652)
Total revenues	**563**	**2,025**	**255**	**428**	**10**	**15,361**	**743**	**290**	**-**	**176**	**19,851**	**5**	**(900)**	**18,956**
Purchases and consumables:	(36)	(1,367)	(28)	(115)	(1)	(13,347)	(437)	(53)	-	(72)	(15,456)	-	860	(14,596)
external purchases and consumables	*(30)*	*(804)*	*(22)*	*(105)*	*(1)*	*(13,074)*	*(437)*	*(53)*	-	*(72)*	*(14,598)*	*2*	-	*(14,596)*
inter-segment purchases and consumables	*(6)*	*(563)*	*(6)*	*(10)*	-	*(273)*	-	-	-	-	*(858)*	*(2)*	*860*	-
Services	(5)	(41)	(9)	(50)	(2)	(332)	(70)	(39)	-	(49)	(597)	(26)	63	(560)
Personnel expenses	(29)	(111)	(33)	(44)	(2)	(159)	(30)	(122)	-	(29)	(559)	(16)	-	(575)
Depreciation, amortization and impairment	(116)	(226)	(29)	(52)	(3)	(135)	(103)	(71)	-	(29)	(764)	-	-	(764)
Emission rights, net	(2)	(1)	(1)	(125)	-	(685)	1	(25)	-	-	(838)	-	-	(838)
Own work, capitalized	3	21	-	2	-	1	-	2	-	-	29	-	-	29
Other operating income (expenses)	(15)	(5)	(4)	10	-	(76)	6	(33)	-	11	(106)	(1)	(23)	(130)
Profit (loss) from operations	**363**	**295**	**151**	**54**	**2**	**628**	**110**	**(51)**	**-**	**8**	**1,560**	**(38)**	**-**	**1,522**

FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

In millions of EUR

	EPIF Group				
	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	EPIF Other
Finance income	16	2	2	5	-
external finance revenues	*16*	*15*	-	*4*	-
inter-segment finance revenues	-	*(13)*	*2*	*1*	-
Change in impairment on financial instruments and other financial assets	-	(1)	(2)	-	-
Finance expense	(31)	(12)	(5)	(3)	(1)
Net finance income (expense)	**(15)**	**(11)**	**(5)**	**2**	**(1)**
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-
Gain (loss) on disposal of subsidiaries, joint ventures and associates	-	-	-	-	-
Profit (loss) before income tax	**348**	**284**	**146**	**56**	**1**
Income tax expenses	(86)	(70)	(34)	(9)	-
Profit (loss) for the year	**262**	**214**	**112**	**47**	**1**
Other financial information:					
Underlying EBITDA[1]	479	521	180	106	5

	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	16	(4)	2	-	23	62	*908	*(840)	130
external finance revenues	*(15)*	*(4)*	*2*	-	*5*	*23*	*107*	-	*130*
inter-segment finance revenues	*31*	-	-	-	*18*	*39*	**801*	**(840)*	-
Change in impairment on financial instruments and other financial assets	(3)	(2)	-	-	-	(8)	(4)	(1)	(13)
Finance expense	(35)	(10)	(4)	-	(19)	(120)	(129)	76	(173)
Net finance income (expense)	**(22)**	**(16)**	**(2)**	**-**	**4**	**(66)**	**775**	**(765)**	**(56)**
Share of profit (loss) of equity accounted investees, net of tax	77	4	(132)	52	-	1	(1)	(8)	(8)
Gain (loss) on disposal of subsidiaries, joint ventures and associates	1	-	-	-	-	1	32	-	33
Profit (loss) before income tax	**684**	**98**	**(185)**	**52**	**12**	**1,496**	***768**	***(773)**	**1,491**
Income tax expenses	(24)	(23)	(6)	-	(4)	(256)	(8)	-	(264)
Profit (loss) for the year	**660**	**75**	**(191)**	**52**	**8**	**1,240**	***760**	***(773)**	**1,227**
Other financial information:									
Underlying EBITDA[1]	763	213	20	-	37	2,324	(38)	-	2,286

* EUR 331 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s. EP Power Europe, a.s. and EP Energy, a.s.

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

(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 of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, joint ventures and associates, depreciation of property, plant and equipment, amortisation of intangible assets, impairment of property, plant and equipment and intangible assets and negative goodwill.

Operating segments

Operating segments

UNDERLYING EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE

The underlying EBITDA reconciles to the profit as follows:

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**	**2,436**	**377**	**91**	**-**	**30**	**4,378**	**(36)**	**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 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**	**2,416**	**128**	**71**	**83**	**30**	**3,504**	**1,098**	**(811)**	**3,791**

FOR THE YEAR ENDED 31 DECEMBER 2021 (RESTATED)[(1)]

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	**479**	**521**	**180**	**106**	**5**	**763**	**213**	**20**	**-**	**37**	**2,324**	**(38)**	**-**	**2,286**
Depreciation, amortisation and impairment	(116)	(226)	(29)	(52)	(3)	(135)	(103)	(71)	-	(29)	(764)	-	-	(764)
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance income	16	2	2	5	-	16	(4)	2	-	23	62	908	(840)	130
Change in impairment on financial instruments and other financial assets	-	(1)	(2)	-	-	(3)	(2)	-	-	-	(8)	(4)	(1)	(13)
Finance expense	(31)	(12)	(5)	(3)	(1)	(35)	(10)	(4)	-	(19)	(120)	(129)	76	(173)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	77	4	(132)	52	-	1	(1)	(8)	(8)
Gain/(loss) on disposal of subsidiaries, joint ventures and associates	-	-	-	-	-	1	-	-	-	-	1	32	-	33
Income tax	(86)	(70)	(34)	(9)	-	(24)	(23)	(6)	-	(4)	(256)	(8)	-	(264)
Profit for the year	**262**	**214**	**112**	**47**	**1**	**660**	**75**	**(191)**	**52**	**8**	**1,240**	**760**	**(773)**	**1,227**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

Operating segments

SEGMENT ASSETS AND LIABILITIES

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

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	4,360	6,189	861	872	25	12,326	1,130	429	-	699	26,891	3,536	(5,238)	25,189
Reportable segment liabilities	(2,646)	(2,370)	(402)	(383)	(13)	(11,156)	(568)	(603)	-	(574)	(18,715)	(6,809)	5,238	(20,286)
Additions to tangible and intangible assets(1)	34	104	12	150	-	551	7	11	-	15	884	-	-	884
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	25	83	9	34	-	271	7	8	-	4	441	-	-	441
Equity accounted investees	-	1	-	-	-	1,137	4	(191)	-	-	951	-	-	951

(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 2022

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Other	Total
Property, plant and equipment	675	8,818	666	401	891	82	96	20	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**	**20**	**12,297**

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Other	Total
Revenues: Electricity	821	1,678	1,780	5,015	5,960	464	4,636	3,197	23,551
Revenues: Gas	602	1,007	1,207	784	1,019	1,218	125	4,114	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	14	81
Revenues: Logistics and freight services	78	4	210	43	112	11	8	782	1,248
Revenues: Other	39	22	303	1	53	2	4	169	593
Gain (loss) from commodity and freight derivatives, net	358	21	(984)	71	491	(319)	604	771	1,013
Total	**2,109**	**2,754**	**2,790**	**5,915**	**7,645**	**1,376**	**5,405**	**9,128**	**37,122**

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

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

FOR THE YEAR ENDED 31 DECEMBER 2021 (RESTATED)[1]

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Other	Total
Property, plant and equipment	753	9,051	680	402	860	90	95	-	11,931
Intangible assets and goodwill	264	35	75	27	38	15	66	-	520
Investment property	3	-	-	-	19	-	-	-	22
Total	**1,020**	**9,086**	**755**	**429**	**917**	**105**	**161**	**-**	**12,473**

In millions of EUR

	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Ireland	France	Other	Total
Revenues: Electricity	669	821	1,233	2,668	2,308	311	1,782	812	10,604
Revenues: Gas	328	958	383	207	1,279	568	166	3,541	7,430
Revenues: Coal	5	-	212	-	-	-	6	1	224
Revenues: Heat	143	-	3	-	-	-	-	-	146
Revenues: Other energy products	-	-	20	-	1	-	-	2	23
Revenues: Logistics and freight services	79	3	72	22	103	-	1	581	861
Revenues: Other	40	16	140	1	34	2	12	75	320
Gain (loss) from commodity and freight derivatives, net	2	68	1,560	(435)	(674)	(38)	(1,028)	(107)	(652)
Total	**1,266**	**1,866**	**3,623**	**2,463**	**3,051**	**843**	**939**	**4,905**	**18,956**

The geographical area “Other” comprises income items primarily from Luxembourg and Switzerland.[2]

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

(2) Revenues from Luxembourg and Switzerland include mainly derivative transactions on energy exchanges.

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

A ACQUISITIONS AND STEP ACQUISITIONS

I. 31 DECEMBER 2022

In millions of EUR

	Date of acquisition	Equity interest acquired accounted for at equity method %	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 Gesellschaft 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.

II. 31 DECEMBER 2021

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries			
Zeterano a.s.	04/02/2021	70	70
EP Power Minerals GmbH, its subsidiaries, associates and joint ventures ("EP Power Minerals Group")	31/05/2021	100	100
Dobrá Energie s.r.o.	01/07/2021	100	100
Kraftwerk Schkopau GbR and Kraftwerk Schkopau Betriebsgesellschaft mbH ("Kraftwerk Schkopau")	01/10/2021	58.1 /55.6	100
Tourbus, a.s. and its subsidiaries ("Tourbus")	22/12/2021	100	100

On 4 February and 5 February 2021, the Group via its subsidiary EP Real Estate, a.s. acquired it two steps 70% share in Zeterano a.s. The acquired assets and assumed liabilities of Zeterano a.s. were immaterial and no goodwill or negative goodwill was recognized on the transaction. On 22 December 2021, the Group acquired via same subsidiary also 100% share in Tourbus, a.s. The acquired assets and assumed liabilities of Tourbus, a.s. were immaterial and no goodwill or negative goodwill was recognized on the transaction.

EP POWER MINERALS GROUP

On 31 May 2021, the Group through its subsidiary EP Power Europe, a.s. ("EPPE") completed a successful closing of the acquisition of EP Power Minerals GmbH ("EPPM"; renamed from STEAG Power Minerals GmbH after the acquisition) from STEAG. EPPM is a European leader in the provision of the power plant by-products (especially fly ash and FGD gypsum) and expendable blasting single use abrasives and also provides broad range of waste management services. With this acquisition, EPPE aims to strengthen its position in the field of sustainable development and environmentally friendly solutions which are important goals in EPPE's long-term strategy.

DOBRÁ ENERGIE S.R.O.

On 1 July 2021, the Group through EP ENERGY TRADING, a.s. completed an acquisition of 100% shares in Dobrá Energie s.r.o. (“DE”) in exchange for a cash consideration of EUR 22 million. DE is a Czech based entity that primarily owns a supply portfolio of natural gas and power retail customers.

KRAFTWERK SCHKOPAU

On 1 October 2021, based on the agreement with Uniper from February 2020, the Group through its subsidiary Saale Energie GmbH (“Saale”) acquired remaining 58.1% interest in Kraftwerk Schkopau GbR and remaining 55.6% interest in Kraftwerk Schkopau Betriebsgesellschaft mbH and became the sole owner. As a result of the transaction, the Group has gained control over both companies. The Group therefore ceased to apply the equity method over the entities and from 1 October 2021 includes them in the consolidated financial statements of the Group applying the full method of consolidation. With its net output of 900 MW, the Schkopau lignite fired power plant represents a fundamental part of the central German energy supply and primarily acts as an industrial power plant supplying specialized railway power to Deutsche Bahn and process steam for an adjacent chemical park. As such, by this acquisition EPH further expands its activities in supplies to industrial customers. This acquisition constitutes a stable link between lignite production and power generation, ensuring reliable supply for energy intensive industries in central Germany.

ACQUISITION OF NON-CONTROLLING INTEREST

On 30 March 2021, the Group acquired remaining 35% interest in LokoTrain s.r.o. The ownership of the Group increased to 100% as a result of the transaction.

On 4 November 2021, the Group acquired through subsidiary SPEDICA GROUP COMPANIES, s.r.o. (“SGC”) remaining 33% interest in SPEDICA LOGISTIC, s.r.o. The ownership of SGC in SPEDICA LOGISTIC, s.r.o. increased to 100% as a result of the transaction and effective ownership of the Group increased to 83.63%.

On 16 December 2021, the companies Střelničná reality s.r.o., Malešice Reality s.r.o., Zálesí Reality s.r.o., EPRE Reality s.r.o. and Power Reality s.r.o. were transferred from EP Energy, a.s. to EP Real Estate, a.s. The effective ownership of the Group increased from 69% to 100% as a result of the transaction.

These transactions resulted in derecognition of non-controlling interest in total amount of EUR 5 million.

Acquisitions and disposals of subsidiaries, joint ventures and associates

B EFFECT OF ACQUISITIONS

I. 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**

II. 31 DECEMBER 2021

SUBSIDIARIES

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of EP Power Minerals Group, Dobrá Energie s.r.o., Kraftwerk Schkopau and Tourbus are provided in the following table.

In millions of EUR

	Carrying amount[1]	Fair value adjustment	2021 Total[1]
Property, plant, equipment, land, buildings	61	49	110
Intangible assets	2	27	29
Trade receivables and other assets	196	(66)	130
Financial instruments – assets	37	-	37
Inventories	21	-	21
Cash and cash equivalents	23	-	23
Deferred tax asset	12	(1)	11
Provisions	(99)	(3)	(102)
Deferred tax liabilities	(3)	(10)	(13)
Loans and borrowings	(2)	-	(2)
Contract liabilities	(4)	-	(4)
Trade payables and other liabilities	(147)	66	(81)
Net identifiable assets and liabilities	**97**	**62**	**159**
Goodwill on acquisitions of new subsidiaries			25
Cost of acquisition			**184**
Consideration paid, satisfied in cash (A)			111
Consideration, other[2]			73
Total consideration transferred			**184**
Less: Cash acquired (B)			23
Net cash inflow (outflow) (C) = (B – A)			**(88)**

(1) Represents values at 100% share.
(2) Consideration other represents fair value of the 41.9% of previously recognized share in Kraftwerk Schkopau of EUR 60 million and receivable of Saale Energie GmbH towards the seller arising from transfer of pension liabilities and related pension assets of EUR 13 million that was offset with the purchase price in acquisition of Kraftwerk Schkopau.

The table does not include the effects from the acquisition of Zeterano a.s. as the effects are immaterial.

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, i.e. securing coal and gas supplies for own coal and gas fired plants.

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.

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

	2022
Revenue of the acquirees recognised since the acquisition date	-
Profit (loss) of the acquirees recognised since the acquisition date	-

In millions of EUR

	2021
Revenue of the acquirees recognised since the acquisition date[1]	513
Profit (loss) of the acquirees recognised since the acquisition date[1]	(24)

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

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 2022 or as at 1 January 2021); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

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

In millions of EUR

	2021
Revenue of the acquirees recognised in the year ended 31 December 2021*(1)	839
Profit (loss) of the acquires recognised in the year ended 31 December 2021*(1)	(15)

* Before intercompany elimination; based on local statutory financial information.

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

For details on major acquisitions please refer also to Appendix 1 – Business combinations.

C BUSINESS COMBINATIONS – ACQUISITION ACCOUNTING 2022 AND 2021

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.

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.

Fair value adjustments resulting from business combinations in 2021 are presented in the following table:

In millions of EUR

	Property, plant and equipment	Intangible assets	Trade receivables and other assets	Provisions	Trade payables and other liabilities	Deferred tax asset/ liability	Total net effect on financial position
Subsidiary							
EP Power Minerals Group	6	-	-	(3)	-	(1)	**2**
Dobrá Energie s.r.o.	-	27	-	-	-	(5)	**22**
Kraftwerk Schkopau	43	-	(66)	-	66	(5)	**38**
Total	**49**	**27**	**(66)**	**(3)**	**66**	**(11)**	**62**

The fair value adjustments resulting from the purchase price allocation of Zeterano a.s. and Tourbus were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combination in 2021.

D DISPOSAL OF INVESTMENTS

I. 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 OCI	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.

II. 31 DECEMBER 2021

During the year 2021 the Group disposed of its investments in:

In millions of EUR

	Date of disposal	Equity interest disposed %
Subsidiaries and associates disposed		
Przedsiębiorstwo Górnicze SILESIA Sp. z o.o.	29/01/2021	38.93
Mining Services and Engineering Sp. z o.o.	29/01/2021	100
Claymore Equity, s.r.o. v likvidácii	16/04/2021	69
Sedilas enterprises limited	30/06/2021	100
WOOGEL LIMITED	30/06/2021	25
PT Holding Investment B.V.	30/09/2021	69

On 29 January 2021, the Group disposed 100% interest in Mining Services and Engineering Sp. z o.o. and 38.93% interest in Przedsiebiorstwo Górnicze SILESIA Sp. z o.o., which were classified under assets and liabilities held for sale. Disposal generated no significant impact on the Group's financial statements.

In April 2021, a liquidation process of Claymore Equity, s.r.o. v likvidácii was completed and entity was dissolved from Commercial Register and deconsolidated without any significant impact on the Group's financial statements.

On 30 June 2021, Sedilas enterprises limited and WOOGEL LIMITED were deconsolidated due to immateriality. The entities were disposed in July 2021.

On 30 September 2021, PT Holding Investment B.V. was deconsolidated due to immateriality.

7. Revenues

In millions of EUR

	2022	2021[1] (restated)
Revenues: Energy and related services		
of which: Electricity	23,551	10,604
Gas	10,076	7,430
Coal	408	224
Heat	152	146
Other energy products	81	23
Total Energy and related services	**34,268**	**18,427**
Revenues: Logistics and freight services	**1,248**	**861**
Revenues: Other	**593**	**320**
Total Revenues from customers	**36,109**	**19,608**
Gain (loss) from commodity and freight derivatives, net	**1,013**	**(652)**
Total	**37,122**	**18,956**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

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 gas transmission of EUR 342 million (2021: EUR 563 million), from distribution of gas of EUR 427 million (2021: EUR 437 million) and gas storage of EUR 426 million (2021: EUR 224 million).

Revenues: Energy and related services: Electricity consists primarily of sale of electricity of EUR 23,346 million (2021: EUR 10,169 million). The amount of EUR 205 million (2021: EUR 149 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 2022 and 2021, 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

In millions of EUR

	31 December 2022	31 December 2021
Contract assets	100	37
Current	*100*	*37*
Non-current	-	-
Contract liabilities	179	156
Current	*71*	*79*
Non-current	*108*	*77*

The amount of EUR 79 million recognised in current contract liabilities at the beginning of the year was recognised as revenue during the year 2022.

8. Purchases and consumables

In millions of EUR

	2022	2021[1] (restated)
Purchase cost of sold electricity	13,652	5,064
Purchase cost of sold gas and other energy products	8,629	5,758
Consumption of energy	5,392	2,397
Other purchase costs	1,406	737
Consumption of fuel and other material	366	534
Changes in WIP, semi-finished products and finished goods	(14)	5
Other purchases	207	101
Total purchases and consumables	**29,638**	**14,596**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

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 personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges etc.).

9. Services

In millions of EUR

	2022	2021[1] (restated)
Repairs and maintenance	179	106
Transport expenses	112	178
Consulting expenses	59	58
Outsourcing and other administration fees	51	39
Industrial waste	42	27
Insurance expenses	38	30
Network fees	37	-
Rent expenses	26	27
Information technologies costs	25	23
Environment protection	20	20
Advertising expenses	9	6
Training, courses, conferences	6	4
Security services	6	4
Communication expenses	3	3
Other	88	35
Total	**701**	**560**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

No material research and development expenses were recognised in profit and loss for the year 2022 and 2021.

FEES PAYABLE TO STATUTORY AUDITORS

In millions of EUR

	2022	2021
Statutory audits	6	4
Services in addition to the Statutory audits	1	2
Total	**7**	**6**

Fees payable to statutory auditors include expenses recorded by all subsidiaries and also associates and joint ventures consolidated using the equity method in 100% amount. 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.

10. Personnel expenses

In millions of EUR

	2022	2021
Wages and salaries	503	426
Compulsory social security contributions	124	119
Expenses and revenues related to employee benefits (IAS 19)	7	7
Board members' remuneration (including boards of subsidiaries)	6	3
Other social expenses	19	20
Total	**659**	**575**

The average number of employees during 2022 was 10,420 (2021: 10,564), of which 228 were executives (2021: 231).

11. Emission rights

In millions of EUR

	2022	2021
Deferred income (grant) released to profit and loss	100	255
Profit from sale of emission rights	(332)	(81)
Creation and release of provision for emission rights	(1,613)	(1,354)
Gain (loss) from commodity derivatives for trading with emission rights, net	290	342
Use of provision for emission rights	1,334	450
Consumption of emission rights	(1,334)	(450)
Total	**(1,555)**	**(838)**

The increase of emission rights costs is caused primarily by the increase of average price of 1 piece of emission allowance from 53.65 EUR/piece in 2021 to 80.82 EUR/piece in 2022, which was to a certain extent limited by the fact that the Group policy is to hedge a portion of emission rights cost in advance.

The Ministries of the Environment of the Czech Republic, Slovakia, Germany, Italy, France, Ireland and United Kingdom set a limit on the amount of a pollutant that can be emitted. Companies are granted emission allowances and are required to hold an equivalent number of allowances which represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission allowance must buy credits from those who pollute less or from other market participants. The transfer of allowances is referred to as a trade. Refer to Note 3(f) – Derivative financial instruments – Transactions with emission rights and energy, Note 3(k) iii – Intangible assets – Emission rights and Note 3(m) iv – Provisions – Provision for emission rights for more details on accounting policies on emission rights.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská teplárenská, a.s., Elektrárny Opatovice, a.s., SPP Storage, s.r.o., Mitteldeutsche Braunkohlen Gesellschaft mbH, Saale Energie GmbH, Kraftwerk Mehrum GmbH, Stredoslovenská energetika, a.s., NAFTA a.s., eustream, a.s., NAFTA Germany GmbH, Lynemouth Power Limited, EP UK Investments Limited and its selected subsidiaries, EP Produzione S.p.A. and its selected subsidiaries, Gazel Energie Generation S.A.S and Gazel Energie Solutions S.A.S.

12. Other operating income (expense), net

In millions of EUR

	2022	2021[1] (restated)
Consulting fees	23	21
Compensation from insurance and other companies	18	52
Rental income	14	12
Property acquired free-of-charge and fees from customers	6	7
Ecological tax reimbursement	5	5
Profit from sales of material	2	12
Contractual penalties	2	24
Gain on disposal of tangible and intangible assets	1	-
Other	37	45
Other operating income	**108**	**178**
Taxes and charges	(112)	(114)
Change in impairment	(90)	(38)
Of which relates to: Inventories	*(79)*	*(22)*
Trade receivables and other assets	*(11)*	*(16)*
Office equipment and other material	(60)	(71)
Consulting expenses	(19)	(8)
Gifts and sponsorship	(16)	(4)
Contractual penalties	(15)	(3)
Creation and reversal of provision	(9)	(8)
Re-transmission fee	(7)	(6)
Shortages and damages	(3)	(1)
Loss from receivables written-off	(1)	(3)
Loss on disposal of tangible and intangible assets	-	(14)
Other	(32)	(38)
Other operating expense	**(364)**	**(308)**
Other operating income (expense), net	**(256)**	**(130)**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.

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 year ended 31 December 2022 and 31 December 2021.

13. Net finance income (expense)

In millions of EUR

	2022	2021[1] (restated)
Interest income	56	9
Fee and commission income	52	1
Dividend income	7	6
Finance income	**115**	**16**
Profit from revaluation of equity option[2]	140	20
Profit from trading derivatives[3]	100	35
Profit (loss) from revaluation of contingent consideration[4]	8	(35)
Profit (loss) from hedging derivatives	(3)	-
Profit (loss) from sale of financial instruments	(4)	-
Net foreign exchange gain(loss)	(78)	94
Profit (loss) from financial instruments	**163**	**114**
Total finance income	**278**	**130**
Change in impairment on financial assets[5]	136	(13)
Total change in impairment on financial assets	**136**	**(13)**
Interest expense	(205)	(145)
Fees and commissions expense for other services	(23)	(22)
Interest expense from unwind of provision discounting	6	(6)
Total finance expense	**(222)**	**(173)**
Net finance income (expense)	**192**	**(56)**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.
(2) Profit from revaluation of equity option relates 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 18 – Equity accounted investees.
(3) All derivatives are for the risk management purposes.
(4) For details refer to Note 31 – Trade payables and other liabilities.
(5) For details refer to Note 18 – Equity accounted investees and Note 30 – Financial instruments.

14. Income tax expenses

INCOME TAXES RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2022	2021
Current taxes:		
Current year	(919)	(401)
Adjustment for prior periods	(1)	3
Total current taxes	**(920)**	**(398)**
Deferred taxes:		
Origination and reversal of temporary differences[1]	45	134
Total deferred taxes	**45**	**134**
Total income taxes (expense) benefit recognised in profit or loss	**(875)**	**(264)**

(1) For details refer to Note 19 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 646 million (2021: EUR 72 million) is mainly represented by EP Commodities, a.s. of EUR 220 million (2021: EUR 0 million), EP Produzione S.P.A. of EUR 105 million (2021: EUR 11 million), EP UK Investment Group by EUR 57 million (2021: EUR 0 million), EP Mehrum GmbH of EUR 43 million (2021: EUR 0 million), NAFTA a.s. of EUR 40 million (2021: EUR 0 million), Energetický a průmyslový holding, a.s. of EUR 19 million (2021: EUR 0 million) and SPP - distribúcia, a.s. of EUR 14 million (2021: EUR 13 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	**2022**	**2021**
The Czech Republic	19%	19%
Slovakia	21%	21%
Germany	26.95%–31.93%	28.83%–32.83%
Poland	19%	19%
Italy	24%	24%
United Kingdom	19%	19%
Ireland	12.5%	12.5%
France	25%	26.5–27.5% [1]

(1) 26.5% rate applies to companies with revenues below EUR 250 million.

Current year income tax includes also special sector tax effective in Slovakia and Italy.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

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(1)	131	(20)	111
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(18)	-	(18)
Effective portion of changes in fair value of cash-flow hedges(1)	213	(72)	141
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.

In millions of EUR

		2021	
	Gross	Income tax	Net of income tax
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	3	-	3
Fair value reserve included in other comprehensive income(1)	89	(12)	77
Foreign currency translation differences from presentation currency	245	-	245
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(291)	-	(291)
Effective portion of changes in fair value of cash-flow hedges(1)	(745)	107	(638)
Total	**(699)**	**95**	**(604)**

(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

		2022		2021
	%		%	
Profit before tax		4,666		1,491
Income tax using the Company's domestic rate (19%)	19.0%	887	19.0%	283
Effect of tax rates in foreign jurisdictions	2.8%	131	1.3%	19
Change in tax rate	(0.1%)	(5)	(0.2%)	(3)
Non-deductible expenses(1)	6.1%	278	6.8%	102
Non-taxable income(2)	(9.3%)	(432)	(7.0%)	(104)
Share of (profit) loss of equity accounted investees	(3.1%)	(147)	0.2%	2
Tax incentives	0.1%	2	-	-
Recognition of previously unrecognized tax losses	(0.2%)	(7)	(0.7%)	(11)
Effect of special levy for business in regulated services(3)	3.4%	160	1.8%	28
Current year losses for which no deferred tax asset was recognized	0.2%	11	0.4%	5
Change in temporary differences for which no deferred tax asset is recognized	-	(1)	(0.1%)	(1)
Current period adjustment for deferred tax recognized in prior period(4)	(0.1%)	(3)	(3.6%)	(53)
Withholding tax, income tax adjustments for prior periods	-	1	(0.2%)	(3)
Income taxes recognised in profit or loss	**18.8%**	**875**	**17.7%**	**264**

(1) The basis consists mainly of non-deductible expenses related to derivatives of EUR 549 million, creation of provisions of EUR 134 million, sale of investment in EPRE Group of EUR 108 million, non-deductible interest expense of EUR 88 million (2021: EUR 86 million) and in the year ended 31 December 2021 also of derecognition of loan, creation of provisions and loss allowances of EUR 213 million.

(2) The basis consists mainly of non-taxable income related to derivatives of EUR 584 million, gain from sale of investment in EPRE Group of EUR 335 million, profit from revaluation of equity option of EUR 140 million (2021: EUR 20 million) and reversal of valuation allowance in equity investee of EUR 136 million. In the year ended 31 December 2021, the basis consists of reversal of provisions and loss allowances of EUR 217 million and of gain from sale of investments in WOOGEL LIMITED, Przedsiębiorstwo Górnicze "Silesia" sp. z o.o., PT-Holding Investments B.V. and Mining Services and Engineering sp. z o.o. of EUR 33 million.

(3) The item relates to special industry taxes applied in Slovakia and Italy.

(4) In 2021, the basis contains deferred tax asset relating to revaluation of fixed assets measured under revaluation model in local GAAP of EUR 200 million recognized by EP Produzione S.p.A. and Fiume Santo S.p.A.

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	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.

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 2021	**2,501**	**3,803**	**3,900**	**12**	**4,949**	**52**	**207**	**15,424**
Effects of movements in foreign exchange	34	-	-	1	123	2	2	**162**
Additions	53	-	10	-	135	2	172	**372**
Additions through business combinations[2]	60	-	-	-	48	2	-	**110**
Revaluation[3]	3	-	-	-	-	-	-	**3**
Disposals	(27)	-	(8)	-	(55)	(2)	(3)	**(95)**
Transfers to intangible assets	-	-	-	-	-	-	(8)	**(8)**
Transfer to investment property[3]	(18)	-	-	-	-	-	-	**(18)**
Transfers	21	-	21	-	29	1	(72)	**-**
Change in provision recorded in PPE	27	-	-	-	(1)	-	-	**26**
Balance at 31 December 2021	**2,654**	**3,803**	**3,923**	**13**	**5,228**	**57**	**298**	**15,976**
Depreciation and impairment losses								
Balance at 1 January 2021	**(803)**	**(126)**	**(181)**	**-**	**(2,201)**	**(11)**	**(8)**	**(3,330)**
Effects of movements in foreign exchange	(15)	-	-	-	(47)	-	-	**(62)**
Depreciation charge for the year	(108)	(89)	(143)	(1)	(366)	(5)	-	**(712)**
Disposals	11	-	3	-	48	1	3	**66**
Impairment losses recognised in profit or loss	-	-	-	-	(5)	-	(2)	**(7)**
Balance at 31 December 2021	**(915)**	**(215)**	**(321)**	**(1)**	**(2,571)**	**(15)**	**(7)**	**(4,045)**
Carrying amounts								
At 1 January 2021	**1,698**	**3,677**	**3,719**	**12**	**2,748**	**41**	**199**	**12,094**
At 31 December 2021	**1,739**	**3,588**	**3,602**	**12**	**2,657**	**42**	**291**	**11,931**

(1) Including right-of-use assets.
(2) Purchase of EP Power Minerals Group, Kraftwerk Schkopau GrB and Tourbus.
(3) This balance relates to revaluation of land to fair value and subsequent transfer into investment property. Refer to Note 17 – Investment property.

REVALUATION OF GAS PIPELINE

Gas distribution pipeline by SPP - distribúcia, a.s. and gas transmission pipeline 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).

If the pipelines were accounted for using the cost model, the net book value of the asset as at 31 December 2022 would be EUR 3,985 million (2021: EUR 4,084 million) (net book value of eustream's assets of EUR 2,031 million (2021: EUR 2,090 million) and net book value of SPPD's assets of EUR 1,954 million (2021: EUR 1,994 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 significant accounting policy described in Note 3(i) Impairment. The Company monitors performance of its subsidiaries on a regular basis and evaluates potential scenarios of future development of key subsidiaries performance. In particular, the Parent Company assessed scenarios for potential use of the transmission network and gas supply via the transmission system, the development of regulatory frameworks in countries where the Group operates, an overall demand for transmission and gas storage services, and consumption and price development of heat and electricity, all of which might have an impact on assets recoverable amount. 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.

In case of Group's transmission system the following specific underlying assumptions were considered for base scenario:

- in the short- to mid-term horizon, Russian gas is expected to continue to be supplied to EU countries at least at levels seen as of the balance sheet date. In the mid-term, EU countries are assumed to be able to build further incremental LNG capacities in the region in order to balance the reduction in Russian gas supplies experienced in 2022 without the need to reduce significantly 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;
- in the long term, natural gas is assumed to be replaced by low-carbon gases.

The Parent Company evaluated various scenarios, including pessimistic alternatives that assumed, among other, the termination of Russian gas supplies to EU countries and concluded that no material impairments driven by situation in Ukraine are necessary. However the future developments cannot be reliably predicted; thus it is not possible to rule out the need for adjustments to the values of Group's property, plant and equipment in the future. The Parent Company has not identified any 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 in relation to situation on Ukraine.

The Group recognized impairment to property, plant and equipment of companies EP Kilroot Limited and Biomasse Crotone S.p.A. in the amount of EUR 17 million and EUR 16 million respectively. Both due to the fact that power plants are close to the end of their economic lives.

IDLE ASSETS

As at 31 December 2022 and 31 December 2021 the Group had no significant idle assets.

SECURITY

At 31 December 2022, property, plant and equipment with a carrying value of EUR 564 million (2021: EUR 626 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 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 millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2021	**191**	**103**	**157**	**330**	**27**	**808**
Effect of movements in foreign exchange	7	1	7	3	2	**20**
Additions	-	7	496	-	9	**512**
Additions through business combinations[1]	25	1	-	27	1	**54**
Disposals	-	(2)	(450)	(89)	(3)	**(544)**
Transfers from tangible assets	-	-	-	-	8	**8**
Transfers	-	2	-	-	(2)	**-**
Balance at 31 December 2021	**223**	**112**	**210**	**271**	**42**	**858**
Amortisation and impairment losses						
Balance at 1 January 2021	**(38)**	**(76)**	**-**	**(265)**	**(5)**	**(384)**
Effect of movements in foreign exchange	(1)	(1)	-	-	-	**(2)**
Amortisation for the year	-	(10)	-	(15)	(5)	**(30)**
Disposals	-	2	-	89	2	**93**
Impairment losses recognised in profit or loss	(13)	(1)	-	-	(1)	**(15)**
Balance at 31 December 2021	**(52)**	**(86)**	**-**	**(191)**	**(9)**	**(338)**
Carrying amount						
At 1 January 2021	**153**	**27**	**157**	**65**	**22**	**424**
At 31 December 2021	**171**	**26**	**210**	**80**	**33**	**520**

(1) Purchase of EP Power Minerals Group and Dobrá energie s.r.o.

In 2022, the Group purchased emission allowances of EUR 1,230 million (2021: EUR 472 million). The remaining part of EUR 243 million (2021: EUR 24 million) was allocated to the Group by the respective authorities and counterparties.

Amortisation of intangible assets is included in the row Depreciation, amortisation 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 2022 and 2021.

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 2022 and 2021.

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 2022	31 December 2021
EP Energy, a.s.:		
EOP Distribuce, a.s.[1]	52	52
Elektrárny Opatovice, a.s.[1]	7	42
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.	5	5
Dobrá energie s.r.o.	1	-
SPV100, s.r.o.	1	1
EP Power Minerals GmbH	22	22
Biomasse Italia S.p.A.	16	16
EP Power Grit GmbH	11	-
LOCON Logistik & Consulting AG	7	7
Kraftwerk Schkopau GbR	3	3
SPEDICA GROUP COMPANIES, s.r.o.	2	2
EP Cargo Trucking CZ s.r.o.	1	1
Biomasse Crotone S.p.A.	-	10
Helmstedter Revier GmbH	-	5
Total goodwill	**133**	**171**

(1) As of 1 January 2022, due to a demerger the former legal entity Elektrárny Opatovice, a.s. was split into two separate legal entities: EOP Distribuce, a.s. (heat distribution business) and Elektrárny Opatovice, a.s. (power and heat generation business).

In 2022, the balance of goodwill increased by EUR 12 million as a result of acquisition of EP Power Grit and additional adjustment of goodwill from acquisition of Dobrá energie s.r.o. in 2021. The decrease of goodwill of EUR 50 million is attributable to goodwill impairment recognized by Elektrárny Opatovice, a.s., Biomasse Crotone S.p.A and Helmstedter Revier GmbH.

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. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

The calculation of the recoverable amounts for CGUs containing goodwill was based on the following key assumptions:

In case of EPIF Group entities, cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by an additional six years of modelled projections followed by projected results based on an estimated growth factor plus a terminal value if relevant. In case of EPPE Group entities, cash-flows were projected based on past experience, actual operating results and the five-year business plan followed by projected results based on expected useful life of the individual assets. Where relevant, cash flows for a terminal period were extrapolated using a constant growth rate of 0%–2% (2021: 0%–2%), which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, CO_2 allowances prices, foreign exchange rates, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 7.43% to 15.72% (2021: range from 4.77% to 11.89%). Changes in used discount rates compared to prior year reflect a combination of factors. For some entities, the specific risk of the entity and cost of debt has been adjusted while, at the same time, changes reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

In 2022, the impairment of goodwill at Biomasse Crotone S.p.A. of EUR 10 million is recognized due to the fact that subsidies for biomass production are to end in 2027. Part of the subsidies value previously recognized within goodwill has already been realized in past profits and it is reflected as a decrease in value of goodwill via impairment (2021: EUR 10 million impairment of goodwill).

ADDITIONAL INFORMATION ON CGU WITH SIGNIFICANT GOODWILL ASSIGNED

The recoverable amount of EOP Distribuce, a.s. and Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of EOP Distribuce, a.s. and Elektrárny Opatovice, a.s. respectively. Value in use in 2022 was determined in a similar manner as in 2021. Management estimated the following:

- the recoverable amount of EOP Distribuce, a.s. exceeded its carrying amount (including goodwill) by EUR 221 million;
- the recoverable amount of Elektrárny Opatovice, a.s. was lower than its carrying amount (including goodwill), therefore impairment of goodwill was booked in the amount of EUR 35 million.

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

	EOP Distribuce, a.s.		Elektrárny Opatovice, a.s.	
	2022	2021	2022	2021
Discount rate	7.43%	5.32%	8.90%	6.05%
Terminal value growth rate	2.00%	1.50%	0.00%	0.00%

The EPH Group uses weighted average cost of capital (WACC). The discount rate is a pre-tax measure. Cost of equity is based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of EOP Distribuce, a.s. and Elektrárny Opatovice, a.s.

Budgeted Adjusted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

a) estimated refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);

b.) market expectations regarding power, gas and CO_2 prices, development based on historical trends;

c) a slight decrease in heat supplies and modest increase of heat prices;

d) the inflation driven development of various other positions, especially overhead costs.

Except for the above mentioned CGUs, the Group did not identify any other CGU for which reasonably possible change in key management assumptions (EBITDA, terminal growth, discount rate) would cause that recoverable amount would decrease below its carrying amount.

17. Investment property

In millions of EUR

	31 December 2022	31 December 2021
Opening balance	22	3
Transfer from property, plant and equipment	-	18
FX difference	(1)	1
Closing balance	**21**	**22**

SECURITY

As at 31 December 2022, investment property in the amount of EUR 18 million is subject to pledges (2021: EUR 19 million).

18. 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 2022 %	Carrying amount 31 December 2022
LEAG Group(1)	(4)	50.00	1,044
SŽ EP Group(2)	(4)	(5)	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	41.70	1
SPH Group(3)	(4)	(5)	-
Total		**-**	**1,221**

(1) Refer to Note 36 – Group entities for detail of entities included in LEAG Group.
(2) Refer to Note 36 – Group entities for detail of entities included in SŽ EP Group.
(3) Refer to Note 36 – Group entities for detail of entities included in SPH Group.
(4) Country of incorporation varies, for details refer to Note 36 – Group entities.
(5) Ownership percentage varies, for details refer to Note 36 – Group entities.

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2021 %	Carrying amount 31 December 2021
LEAG Group(1)	(4)	50.00	865
Ergosud S.p.A.	Italy	50.00	63
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	18
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	4
Energotel, a.s.	Slovakia	26.60	1
SPH Group(3)	(4)	(5)	-
Greeninvest Energy, a.s.	Czech Republic	(6)41.70	-
Total		-	**951**

(1) Refer to Note 36 – Group entities for detail of entities included in LEAG Group.
(2) Refer to Note 36 – Group entities for detail of entities included in SŽ EP Group.
(3) Refer to Note 36 – Group entities for detail of entities included in SPH Group.
(4) Country of incorporation varies, for details refer to Note 36 – Group entities.
(5) Ownership percentage varies, for details refer to Note 36 – Group entities.
(6) Ownership percentage including indirect non-controlling interest.

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 a "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. When the abovementioned options are exercised, EPH will take over the outstanding amount of the Loans from Enel. In the event of the early call option exercise, 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.

Equity accounted investees

As at 31 December 2021 the Group reported a valuation allowance of EUR 136 million to its financial investment in SPH. During the year 2022 the valuation allowance was fully released as result of project EMO3 development. Furthermore, the carrying amount of the investment in SPH Group decreased to zero in course of 2021 due to negative other comprehensive income generated by SPH Group. In 2021, the Group recognized share on profit of EUR 52 million, share on other comprehensive income of negative EUR 251 million and discontinued recognizing its share on further total comprehensive loss. During the year ended 31 December 2022, the Group recognized EUR 278 million of previously unrecognized share on total comprehensive loss. As at 31 December 2022, the unrecognized share on total comprehensive loss in SPH Group amounts to EUR 124 million (cumulatively) and no additional unrecognized share on other comprehensive loss was generated during the year (2021: EUR 402 million both for the year and cumulatively).

Impairment test and option value of SE were based on the Group's estimate of free cash flows reflecting power prices forecast from independent external expert 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 14.5%. Calculation reflects regulation known to the date of issuance of financial statements. As a result, the Group fully released impairment of EUR 136 million recognized in past years and recognized gain of EUR 140 million in financial income from revaluation of option (refer to Note 13).

A change in discount rate by +1% would cause decrease of option value by negative EUR 116 million and decrease in discount rate by -1% would have effect on the option value of positive EUR 131 million.

The Group calculated simplified sensitivity of option value on power prices. Option value would drop by EUR 150 million, if power prices dropped by 5 EUR/MWh in every year used in value calculation and would increase by EUR 150 million, if price of power increased by 5 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 2022 %	Share of profit (loss) 2022
Ergosud S.p.A.	Italy	50.00	3
Greeninvest Energy, a.s.	Czech Republic	41.70	1
LEAG Group	(1)	50.00	793
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	3
SPH Group	(1)	(2)	(53)
SŽ EP d.o.o.	(1)	(2)	28
Total		-	**775**

(1) Country of incorporation varies, for details refer to Note 36 – Group entities.
(2) Ownership percentage varies, for details refer to Note 36 – Group entities.

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2021 %	Share of profit (loss) 2021
Greeninvest Energy, a.s.	Czech Republic	(3)41.70	1
Kraftwerk Schkopau GbR	Germany	41.90	2
LEAG Group	(1)	50.00	(68)
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	5
SPH Group	(1)	(2)	52
Total		-	**(8)**

(1) Country of incorporation varies, for details refer to Note 36 – Group entities.
(2) Ownership percentage varies, for details refer to Note 36 – Group entities.
(3) Ownership percentage including indirect non-controlling interest.

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 31 December 2022 and 2021 and for the years then ended.

In millions of EUR

	2022	2021
Statement of financial position information		
Total assets	**11,856**	**11,949**
Non-current assets	3,772	2,494
Current assets	8,084	9,455
of which: cash and cash equivalents	*2,587*	*1,092*
other current assets	*5,497*	*8,363*
Total liabilities	**9,767**	**10,224**
Non-current liabilities	3,169	4,166
of which: financial liabilities (excluding trade payables)	*128*	*13*
other non-current liabilities	*3,041*	*4,153*
Current liabilities	6,598	6,058
of which: financial liabilities (excluding trade payables)	*691*	*545*
other current liabilities	*5,907*	*5,513*
Equity	**2,089**	**1,725**
Statement of comprehensive income information		
Revenues	7,939	3,446
of which: interest income	*19*	-
Depreciation and amortization	(246)	(255)
Interest expense	(254)	(32)
Income tax expense	(93)	(18)
Profit (loss) for the year	**(1)1,600**	**(1)(125)**
Other comprehensive income	(903)	535
Total comprehensive income for the year	**697**	**410**

(1) Includes dividends from EP New Energy Italia S.r.l. eliminated in calculation of share of profit (loss) attributable to the Group.

In March 2022, Lausitz Energie Kraftwerke AG (LEK) reached an agreement with its major hedging counterparty to limit liquidity risk from margining of power and EUA. As a result of this agreement which limits margining liquidity risk with LEK's major hedging counterparty, certain parent company guarantees were issued (callable under specific conditions) and EPH's exposure from these guarantees is up to EUR 1,100 million.

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, EPH intends to separate energy transition assets from the EPH Group into EP Energy Transition, the holding company of a newly established group. EP Energy Transition group will gradually consist of participations mainly in our German assets concentrated within LEAG and JTSD group. EP Energy Transition will focus on development of renewable energy projects with estimated total installed capacity of 7 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 table below provides summary financial information for joint venture SŽ EP d.o.o., presented at 100% as at 31 December 2022 and for the year then ended.

In millions of EUR

	2022
Statement of financial position information	
Total assets	**316**
Non-current assets	222
Current assets	94
of which: cash and cash equivalents	*42*
other current assets	*52*
Total liabilities	**137**
Non-current liabilities	92
of which: financial liabilities (excluding trade payables)	*87*
other non-current liabilities	*5*
Current liabilities	45
of which: financial liabilities (excluding trade payables)	*17*
other current liabilities	*28*
Equity	**179**
Statement of comprehensive income information	
Revenues	185
of which: interest income	*1*
Depreciation and amortization	(23)
Interest expense	(1)
Income tax expense	(1)
Profit (loss) for the year	**16**
Other comprehensive income	-
Total comprehensive income for the year	**16**

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 comprehensive income	Total comprehensive 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.

Summary financial information for standalone associates, presented at 100% as at 31 December 2021 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	4,230	157	(1,982)	(1,825)	10,759	11,605	(846)
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[(1)]	57	10	-	10	55	28	27
Fernwärme GmbH Hohenmölsen – Webau[(1)]	6	-	-	-	14	3	11
Energotel, a.s.	12	1	-	1	11	6	5
Greeninvest Energy, a.s.	4	2	-	2	25	11	14
Ergosud S.p.A.	81	(1)	-	(1)	286	160	126
Total	**4,390**	**169**	**(1,982)**	**(1,813)**	**11,150**	**11,813**	**(663)**

(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	7,188	3,571	5,562	6,043
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[(1)]	24	31	20	8
Fernwärme GmbH Hohenmölsen – Webau[(1)]	13	1	1	2
Energotel, a.s.	4	7	-	6
Greeninvest Energy, a.s.	19	6	10	1
Ergosud S.p.A.	182	104	70	90
Total	**7,430**	**3,720**	**5,663**	**6,150**

(1) Data from standalone financial statements according to German GAAP.

19. Deferred tax assets and liabilities

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

In millions of EUR

	31 December 2022			31 December 2021		
Temporary difference related to:	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment	73	(1,922)	(1,849)	78	(1,925)	(1,847)
Intangible assets	-	(34)	(34)	-	(37)	(37)
Inventories	13	-	13	14	-	14
Trade receivables and other assets	6	(1)	5	4	-	4
Provisions	107	-	107	117	(1)	116
Employees benefits (IAS 19)	1	(11)	(10)	1	(1)	-
Loans and borrowings	1	(12)	(11)	1	(11)	(10)
Unpaid interest	-	-	-	-	(2)	(2)
Tax losses	62	-	62	7	-	7
Derivatives	1,212	(1,180)	32	1,169	(1,044)	125
Right-of-use assets	13	(12)	1	15	(16)	(1)
Other items	56	(6)	50	73	(35)	38
Subtotal	**1,544**	**(3,178)**	**(1,634)**	**1,479**	**(3,072)**	**(1,593)**
Set-off tax	(1,249)	1,249	-	(1,320)	1,320	-
Total	**295**	**(1,929)**	**(1,634)**	**159**	**(1,752)**	**(1,593)**

MOVEMENTS IN DEFERRED TAX DURING THE YEAR

In millions of EUR

Balances related to:	Balance at 1 January 2022	Recognised in profit or loss	Recognised in other compre-hensive income	Acquired in business combina-tions	Disposed entities[1]	Transfer	Effect of movements in foreign exchange rate	Balance at 31 Decem-ber 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.

In millions of EUR

Balances related to:	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other compre-hensive income	Acquired in business combina-tions[1]	Disposed entities	Transfer	Effect of movements in foreign exchange rate	Balance at 31 Decem-ber 2021
Property, plant and equipment	(1,946)	107	-	(7)	-	-	(1)	(1,847)
Intangible assets	(28)	(3)	-	(5)	-	-	(1)	(37)
Inventories	12	2	-	-	-	-	-	14
Trade receivables and other assets	2	2	-	-	-	-	-	4
Provisions	121	(14)	(1)	9	-	-	1	116
Employee benefits (IAS 19)	(11)	8	(11)	-	-	14	-	-
Loans and borrowings	(11)	(2)	-	1	-	2	-	(10)
Unpaid interest	-	1	-	-	-	(2)	(1)	(2)
Tax losses	9	(2)	-	-	-	-	-	7
Derivatives	19	7	104	-	-	(3)	(2)	125
Right-of-use assets	-	(2)	-	-	-	-	1	(1)
Other	17	30	3	-	-	(11)	(1)	38
Total	**(1,816)**	**134**	**95**	**(2)**	**-**	**-**	**(4)**	**(1,593)**

(1) Acquisition of Dobrá Energie s.r.o. and Kraftwerk Schkopau GbR.

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 2022	31 December 2021
Tax losses carried forward	1,371	1,609
Property, plant and equipment	60	-
Total	**1,431**	**1,609**

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 2022	31 December 2021
EP France S.A.S. and its subsidiaries	1,050	1,163
Seattle Holding B.V.	96	97
EPH Gas Holding B.V.	65	65
Humbly Grove Energy Limited	56	64
EP Resources AG	47	-
EP Energy, a.s.	28	-
Czech Gas Holding Investment B.V.	13	8
Slovak Gas Holding B.V.	12	188
SPP Infrastructure, a.s.	2	2
EP Power Europe, a.s.	2	2
EP UK Investments Limited	-	11
EP Infrastructure, a.s.	-	4
NAFTA, a.s.	-	4
EP Netherlands B.V.	-	1
Total	**1,371**	**1,609**

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 2022, then the associated tax income (savings) would be up to EUR 329 million (2021: 378 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

	2023	2024	2025	2026	After 2027	Total
Tax losses	1	1	16	-	1,353	**1,371**

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.

20. Inventories

In millions of EUR

	31 December 2022	31 December 2021
Fossil fuel	422	111
Extracted minerals and mineral products	276	161
Inventories for trading held at fair value	268	321
Finished goods and merchandise	166	47
Spare parts	80	88
Raw materials and supplies	70	75
Overburden	30	13
Work in progress	6	6
Total	**1,318**	**822**

In 2022, inventories of EUR 4,317 million (2021: EUR 2,093 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 2022, inventories in the amount of EUR 35 million (2021: EUR 41 million) were subject to pledges.

21. Trade receivables and other assets

In millions of EUR

	31 December 2022	31 December 2021
Trade receivables	2,386	1,139
Margin of stock exchange derivatives	1,606	1,548
Other advance payments	315	184
Advance payments for long-term tangible and intangible assets	303	119
Estimated receivables	273	35
Value added tax receivables	252	195
Uninvoiced revenues	243	171
Receivables from emission rights granted free-of-charge	61	227
Accrued income[(1)]	54	183
Subsidies related to renewable energy	47	40
Defined benefit assets in excess of obligations	43	15
Deposits for capacity market auctions	29	-
Other taxes receivables, net	10	19
Other receivables and assets	139	147
Allowance for bad debts	(57)	(47)
Total	**5,704**	**3,975**
Non-current	391	117
Current	5,313	3,858
Total	**5,704**	**3,975**

(1) For more detail on accrued income refer to Note 32 – Commitments and contingencies.

In 2022, EUR 1 million receivables were written-off through profit or loss (2021: EUR 3 million).

As at 31 December 2022, trade receivables with a carrying value of EUR 638 million are subject to pledges (2021: EUR 637 million).

As at 31 December 2022, trade receivables and other assets amounting EUR 5,661 million are not past due (2021: EUR 3,913 million) remaining net balance of EUR 43 million is overdue (2021: EUR 62 million). For more detailed aging analysis refer to Note 34(a)(ii) – Risk management – credit risk (impairment losses).

As at 31 December 2022 and 2021, 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 34 – Risk management policies and disclosures.

22. Cash and cash equivalents

In millions of EUR

	31 December 2022	31 December 2021
Current accounts with banks	2,869	2,462
Term deposits	141	35
Total	**3,010**	**2,497**

Term deposits and bills of exchange issued by banks with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2022 cash equivalents of EUR 124 million are subject to pledges (2021: EUR 186 million) in case the Group defaults on some of its indebtedness. As such, pledged cash is readily available and is not classified as restricted.

23. Restricted cash

As at 31 December 2022, the balance of restricted cash is represented mainly by EUR 15 million (2021: EUR 16 million) security given by Eggborough Power Limited ("EPL") to the pension fund, this is expected to remain in place until risk on the schemes funding deficit is eliminated. Remaining balance includes deposits related to pension schemes by other Group companies, restricted cash related to dividend agreement with the minority shareholder of Tynagh Energy Limited, restricted cash held in connection with future decommissioning activities in Germany and restricted cash held for the officially prescribed disposal of an unwanted waste by EP Power Minerals GmbH.

24. Equity

SHARE CAPITAL, SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2022 consisted of 4,000,000 ordinary shares with a par value of CZK 1,000 each (2021: 4,000,000 ordinary shares with a par value of CZK 1,000 each).

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.

The balance of share capital decreased to EUR 161 million due to the change of functional currency of the Parent Company on 1 January 2022. For more details see Note 3(a).

In 2022, the Company declared dividends in amount of EUR 1,533 million (2021: EUR 700 million) to its shareholders. Dividend declared per share in 2022 was EUR 383 (2021: EUR 175).

31 DECEMBER 2022

	Number of shares 1,000 CZK	Ownership %	Voting rights %
EP Corporate Group, a.s.	2,240,001	56.00%	56.00%
J&T ENERGY HOLDING, a.s.	1,759,999	44.00%	44.00%
Total	**4,000,000**	**100.00%**	**100.00%**

31 DECEMBER 2021

	Number of shares 1,000 CZK	Ownership %	Voting rights %
EP Corporate Group, a.s.	2,240,001	56.00%	56.00%
J&T ENERGY HOLDING, a.s.	1,759,999	44.00%	44.00%
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 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**

	Number of shares 2021
	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 2022	1 January 2022*	31 December 2021
Revaluation reserve	895	925	925
Fair value reserve	111	3	1
Other capital funds from capital contributions	23	23	23
Non-distributable reserves	18	16	17
Other capital reserves	(56)	(56)	(54)
Translation reserve	(132)	(92)	(117)
Hedging reserve	(136)	(193)	(195)
Total	**723**	**626**	**600**

* Balance as at 1 January 2022 represents adjusted opening balance as a result of a change of functional currency of the parent entity. For more details refer to Note 3(a).

NON-DISTRIBUTABLE RESERVES

The legal reserve of EUR 18 million was reported as at 31 December 2022 (2021: EUR 17 million). The movement of non-distributable reserves was influenced by the change in the functional currency of the Parent Company as at 1 January 2022. For more details refer to Note 3(a).

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. For more details refer to Note 3(a).

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. For more details refer to Note 3(a).

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 30 – Financial instruments and Note 34 – Risk management policies and disclosure). The movement of hedging reserves was influenced by the change in the functional currency of the Parent Company as at 1 January 2022. For more details refer to Note 3(a).

FAIR VALUE RESERVE

Fair value reserve comprises actuarial gains and losses related to IAS 19 pension plan provisions. The movement of fair value reserves was influenced by the change in the functional currency of the Parent Company as at 1 January 2022. For more details refer to Note 3(a).

REVALUATION RESERVE

Revaluation reserve represents an effect from revaluation of gas transmission and gas distribution pipelines as per IAS 16 to fair value. For detail refer to Note 4(a).

25. Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share in EUR per 1,000 CZK of share nominal value equal 0.84 (2021: 0.20).

The calculation of basic earnings per share as at 31 December 2022 was based on a profit attributable to ordinary shareholders of EUR 3,350 million (2021: EUR 813 million), and a weighted average number of ordinary shares outstanding of 4,000 million (2021: 4,000 million).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT 31 DECEMBER 2022

In millions of shares

	Nominal	Weighted
Issued ordinary shares as at 1 January 2022	4,000	4,000
Total	**4,000**	**4,000**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT 31 DECEMBER 2021

In millions of shares

	Nominal	Weighted
Issued ordinary shares as at 1 January 2021	4,000	4,000
Total	**4,000**	**4,000**

DILUTIVE EARNINGS PER SHARE

As the Group issued no convertible debentures or other financial instruments with dilutive potential effects on ordinary share, diluted earnings per share is the same as basic earnings per share.

26. Non-controlling interest

31 DECEMBER 2022

In millions of EUR

	Stredoslovenská energetika, a.s. and its subsidiaries	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 and exploration	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 Note 36 – 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 EUR 4,914 million as 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.

31 DECEMBER 2021

In millions of EUR

	Stredoslovenská energetika, a.s. and its subsidiaries	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 and exploration	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 2021	**502**	**193**	**(441)**	**2,027**	**1,134**	**161**	**41**	**(422)**	**3,195**
Profit (loss) attributable to non-controlling interest for the year	**51**	**41**	**(1)**	**87**	**173**	**13**	**2**	**48**	**414**
Dividends declared[2]	**(113)**	**(1)**	**(220)**	**-**	**-**	**(5)**	**-**	**[7](40)**	**(379)**
Statement of financial position[3]									
Total assets	1,175	691	5,597	4,538	4,369	293	349		
of which: non-current	*857*	*568*	*[8]5,559*	*4,031*	*4,139*	*219*	*124*		
current	*318*	*123*	*38*	*507*	*230*	*74*	*225*		
Total liabilities	416	322	1,195	1,476	2,655	81	187		
of which: non-current	*198*	*273*	*773*	*1,361*	*2,011*	*27*	*10*		
current	*218*	*49*	*422*	*115*	*644*	*54*	*177*		
Net assets	**759**	**369**	**4,402**	**3,062**	**1,714**	**212**	**162**	**-**	**-**
Statement of comprehensive income[3]									
Total revenues	1,121	226	285	466	565	150	592		
of which: dividends received	-	*[9]13*	*[10]270*	-	-	-	-		
Profit after tax	77	90	268	131	261	17	6		
Total other comprehensive income for the year, net of tax	-	(0)	-	2	(373)	-	-		
Total comprehensive income for the year[3]	**77**	**90**	**268**	**133**	**(112)**	**17**	**6**	**-**	**-**
Net cash inflows (outflows)[3]	**(160)**	**(30)**	**7**	**(29)**	**23**	**18**	**(25)**	**-**	**-**

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 36 – 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) Dividends in amount of EUR 30 million were paid by EP Infrastructure, a.s.
(8) Includes EUR 4,914 million as 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 eustream, a.s., SPP - distribúcia, a.s., NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.

27. Loans and borrowings

In millions of EUR

	31 December 2022	31 December 2021
Issued debentures at amortised costs	4,350	4,380
Loans payable to credit institutions	1,512	1,254
Revolving credit facility	1,507	1,185
Lease liabilities	179	165
Factoring loans	100	43
Loans payable to other than credit institutions	59	32
Bank overdraft	-	7
Total	**7,707**	**7,066**
Non-current	7,039	6,087
Current	668	979
Total	**7,707**	**7,066**

The weighted average interest rate on loans and borrowings (excluding debentures) for 2022 was 2.17% (2021: 1.71%).

ISSUED DEBENTURES AT AMORTISED COSTS

Details about debentures issued as at 31 December 2022 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond II	500	12	(2)	12/02/2025	2.625	2.685
eustream bond	500	4	(3)	25/06/2027	1.625	1.759
SPPD bond	500	3	(4)	09/06/2031	1.000	1.079
EP Infrastructure 2024 notes	750	9	(1)	26/04/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(2)	30/07/2026	1.698	1.795
EP Infrastructure 2028 notes	500	2	(2)	09/10/2028	2.045	2.117
EP Infrastructure 2031 notes	500	8	(3)	02/03/2031	1.816	1.888
EPH Financing CZ 2025 notes	311	4	(3)	17/03/2025	4.500	4.870
EPH Financing CZ 2027 notes	100	3	(1)	19/08/2027	8.000	8.200
EPH Private placements	60	1	-	22/01/2024–14/08/2025	3.200–3.600	3.200–3.600
Total	**4,321**	**50**	**(21)**	**-**	**-**	**-**

Details about debentures issued as at 31 December 2021 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/ premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
SPP Infrastructure Financing bond II	500	12	(2)	12/02/2025	2.625	2.685
eustream bond	500	4	(3)	25/06/2027	1.625	1.759
SPPD bond	500	3	(3)	09/06/2031	1.000	1.079
EP Infrastructure 2024 notes	750	8	(2)	26/04/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(3)	30/07/2026	1.698	1.795
EP Infrastructure 2028 notes	500	2	(3)	09/10/2028	2.045	2.117
EP Infrastructure 2031 notes	500	8	(3)	02/03/2031	1.816	1.888
EPH Financing CZ 2022 notes	99	1	-	16/07/2022	(1)2.850	3.440
EPH Financing CZ 2025 notes	302	4	(4)	17/03/2025	4.500	4.870
EPH Private placements	105	1	-	18/03/2023 to 14/08/2025	(2)n/a	(2)n/a
Total	**4,356**	**47**	**(23)**	**-**	**-**	**-**

(1) Interest rate is a combination of reference interest rate (6M PRIBOR) and margin of 2.00% p.a. set for relevant interest period.
(2) Interest rates vary per issue and are fixed or a combination of reference interest rate (6M EURIBOR) floored at 1.00% and margin set for relevant interest period.

EP INFRASTRUCTURE BONDS (2024 NOTES)

On 26 April 2018, EP Infrastructure successfully placed at par its debut international offering of EUR 750 million. Notes are issued in nominal value of EUR 100,000 each and bear 1.659% fixed rate and are unsecured ("2024 Notes"). The 2024 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2024 Notes will be redeemed at their principal amount on 26 April 2024.

The Group may prematurely redeem all, but not part, of the 2024 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2024 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2024 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2024 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net financial debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2024 Notes are stated net of debt issue costs of EUR 5 million (at inception). These costs are allocated to the profit and loss account over the term of the 2024 Notes through the effective interest rate of 1.786%.

EP INFRASTRUCTURE BONDS (2026 NOTES)

On 30 July 2019, EP Infrastructure successfully placed at par its offering of EUR 600 million 1.698% fixed rate unsecured notes due in July 2026 in the denomination of EUR 100,000 each ("2026 Notes"). The 2026 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2026 Notes will be redeemed at their principal amount on 30 July 2026. The Group may prematurely redeem all, but not part, of the 2026 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2026 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2026 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2026 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net financial debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2026 Notes are stated net of debt issue costs of EUR 4 million. These costs are allocated to the profit and loss over the term of the 2026 Notes through the effective interest rate of 1.795%.

EP INFRASTRUCTURE BONDS (2028 NOTES)

On 9 October 2019, EP Infrastructure, a.s. successfully placed at par its offering of EUR 500 million 2.045% fixed rate unsecured notes due in October 2028 in the denomination of EUR 100,000 each ("2028 Notes"). The 2028 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 9 October 2028.

The Group may prematurely redeem all, but not part, of the 2028 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2028 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2028 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2028 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net financial debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2028 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2028 Notes through the effective interest rate of 2.117%.

EP INFRASTRUCTURE BOND (2031 NOTES)

On 2 March 2021, EP Infrastructure, a.s. successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in March 2031 in the denomination of EUR 100,000 each ("2031 Notes"). The 2031 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 2 March 2031. The proceeds of the 2031 Notes were used for partial prepayment of the Group's financial indebtedness.

The Group may prematurely redeem all, but not part, of the 2031 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Group may redeem all, but not part, of the 2031 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2031 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2031 Notes contain a covenant limiting certain types of distributions to issuer's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net financial debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out. The 2031 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2031 Notes through the effective interest rate of 1.888%.

2031 SPPD BOND

On 9 June 2021, SPP - distribúcia, a.s. issued unsecured notes in the amount of EUR 500 million with a fixed interest rate of 1% p.a. The SPPD bonds are listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The SPPD bonds are redeemable on 9 June 2031.

The SPPD bonds are unsecured. However, their terms contain a negative pledge covenant according to which SPPD or any of its subsidiaries shall not create or permit to subsist any security interest upon the whole or any part of its present or future undertakings, assets or revenues, subject to certain exceptions specified therein.

Further, SPPD may prematurely redeem all, but not part, of the 2031 notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" amount. Further, SPPD may redeem all, but not part, of the 2031 notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, holders of the 2031 notes may require the SPPD to redeem the 2031 notes prematurely at 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any. In addition, the SPPD Bonds contain customary events of defaults.

The 2031 SPPD bond is stated net of debt issue costs of EUR 2 million. These costs are amortized over the maturity of the notes to the profit and loss account through the effective interest rate of 1.079%. The proceeds of the 2031 SPPD Notes were used for repayment of the SPPD's notes due in June 2021 and general corporate purposes.

SPP INFRASTRUCTURE FINANCING BOND II (2025 NOTES)

On 12 February 2015, SPP Infrastructure Financing B.V. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The SPP Infrastructure Financing bond II is listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The bond is guaranteed unconditionally and irrevocably by Eustream. Bond may be prematurely redeemed under same conditions as Eustream bond below.

The maturity of bonds is on 12 February 2025.

The 2020 SPP Infrastructure Financing B.V. bond is stated net of debt issue costs of EUR 1 million (at inception). These costs are allocated to the profit and loss account through the effective interest rate of 2.685%.

2027 EUSTREAM BOND

On 25 June 2020, eustream, a.s. issued 7-year senior unsecured bond in the total amount of EUR 500 million bearing fixed interest rate of 1.625% per annum. The Eustream Bond is listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin.

Coupon is payable annually in arrears on 25 June of each year. The 2027 eustream bond is reported net of debt issue costs of EUR 2 million. These costs are allocated to the profit and loss account using effective interest rate of 1.759%.

Eustream may prematurely redeem all, but not part, of the 2027 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, Eustream may redeem all, but not part, of the 2027 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax laws. Upon the occurrence of a certain change of control events, Eustream may be required to offer to redeem the 2027 Notes prematurely at the principal amount of 100% of the prematurely redeemed, plus accrued and unpaid interest and additional amounts, if any.

EPH FINANCING CZ (2025 NOTES)

On 17 March 2020, EPH Financing CZ, a.s. issued bonds with the expected total principal amount of EUR 202 million (CZK 5,000 million), with a possibility to increase the total principal of the bonds by 50% to CZK 7,500 million. Total principal of bonds issued as at 31 December 2022 amounts to EUR 311 million (CZK 7,500 million). The maturity of the bonds is 17 March 2025.

The 2025 Notes bear a fixed interest rate of 4.50% p.a. The EPH Financing CZ 2025 bond is stated net of debt issue costs. These costs are allocated to the profit and loss account through effective interest rate of 4.87%.

EPH FINANCING CZ (2027 NOTES)

On 19 August 2022, EPH Financing CZ, a.s. issued bonds with the expected total principal amount of EUR 41 million (CZK 1,000 million), with a possibility to increase the total principal of the bonds to CZK 2,400 million. Total principal of bonds issued as at 31 December 2022 amounts to EUR 100 million (CZK 2,400 million). The maturity of the bonds is 19 August 2027.

The 2027 Notes bear a fixed interest rate of 8.00% p.a. The EPH Financing CZ 2027 bond is stated net of debt issue costs. These costs are allocated to the profit and loss account through effective interest rate of 8.2%.

EPH PRIVATE PLACEMENTS

In course of 2020, Energetický a průmyslový holding, a.s. issued 3-Year Fixed Rate Private Placement Bonds due in 2023 and 5-Year Fixed Rate Private Placement Bonds due in 2025 in total volume of EUR 107 million (the “Issues”). EPH has used the proceeds of the Issues for general corporate purposes.

In 2021, Energetický a průmyslový holding, a.s. repaid prematurely EUR 12 million due originally in 2023 and issued 3-Year Fixed Rate Private Placement Bonds due in 2024 in total volume of EUR 10 million. EPH has used the proceeds of the Issue for general corporate purposes.

In 2022, Energetický a průmyslový holding, a.s. repaid prematurely EUR 45 million due originally in 2023.

OTHER LOANS AND BORROWINGS

TERMS AND DEBT REPAYMENT SCHEDULE

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.

Terms and conditions of outstanding loans as at 31 December 2021 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/21	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2029	1,155	72	958	125
Secured bank loan	EUR	variable*	2025	65	16	49	-
Unsecured bank loan	EUR	fixed	2028	27	5	17	5
Secured bank loan	EUR	fixed	2033	7	1	2	4
Unsecured loan	CZK	fixed	2025	19	2	17	-
Unsecured loan	EUR	fixed	2027	13	5	8	-
Revolving credit facility	EUR	variable*	2026	924	341	583	-
Revolving credit facility	GBP	variable*	2022	150	150	-	-
Revolving credit facility	CZK	variable*	2024	54	54	-	-
Revolving credit facility	USD	variable*	2022	35	35	-	-
Revolving credit facility	USD	fixed	2022	22	22	-	-
Factoring loan	EUR	variable*	2022	38	38	-	-
Factoring loan	EUR	fixed	2022	5	5	-	-
Bank overdraft	EUR	variable*	2022	7	7	-	-
Lease liabilities	n/a	n/a	n/a	165	30	81	54
Total interest-bearing liabilities				**2,686**	**783**	**1,715**	**188**

* Variable interest rate is derived as PRIBOR, 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 due 14 January 2025 (with no amount outstanding as of 31 December 2021).

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.

The EPIF's Facilities Agreement contains restrictive provisions which, among other things, limit the Group's ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or EPIF's ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. For example, EPIF can make distributions and certain other payments and the Group can perform acquisitions if, among other things, the Group net leverage does not exceed a certain limit, and the Group can incur additional financial indebtedness if, among other things, certain net leverage limits set for various Group levels are met, among other things, the Group's proportionate net leverage ratio does not exceed 4.5×. The EPIF's Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment.

NAFTA FACILITIES AGREEMENT

NAFTA is a party to a senior term and revolving facilities agreement dated 25 January 2019 with a group of financing banks (the "NAFTA's Facilities Agreement"), pursuant to which NAFTA has been provided with a term facility in the amount of EUR 175 million due 25 January 2024 (facility was fully repaid in 2021) and a revolving facility with a committed limit of EUR 75 million due 25 January 2024 (with no amount outstanding as of 31 December 2021).

The obligations of NAFTA under the NAFTA's Facilities Agreement are general, senior unsecured obligations and rank equally in right of payment with NAFTA's existing and future indebtedness that is not subordinated in right of payment.

The NAFTA's Facilities Agreement contains restrictive provisions which, among other things, limit the NAFTA's ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, issue shares, provide loans or guarantees, or create security or the NAFTA's ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. The NAFTA's Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory repayment.

NAFTA REVOLVING FACILITY AGREEMENT

NAFTA is a party to a framework agreement on provision of financial services dated 31 July 2013 with Komerční banka, a.s. (the "NAFTA's Framework Agreement"), as amended from time to time, pursuant to which a facility in the total amount of EUR 58.5 million is available to NAFTA, which may be utilised in form of a mid-term loan (up to EUR 43.5 million, due on 24 January 2024) and/or the following forms of utilisations up to the total limit of EUR 15 million: an overdraft loan, short term loans (up to 3-month tenor), performance bonds, retention guarantees, payment guarantees, bid bonds, advance payment guarantees, documentary letters of credit, and certain specific performance bonds (up to EUR 0.5 million). As at 31 December 2021, the total amount outstanding under the NAFTA's Framework Agreement is EUR 50 million and consists of EUR 43.5 million of a mid-term loan and EUR 6.5 million short term revolving loan.

The obligations of NAFTA under the NAFTA's Framework Agreement are general, senior unsecured obligations and rank equally in right of payment with NAFTA's existing and future indebtedness that is not subordinated in right of payment.

The NAFTA's Framework Agreement contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the NAFTA's ability to dispose of assets or merge with other companies. The restrictions are subject to a number of exceptions and qualifications. Moreover, the NAFTA's Framework Agreement contains customary events of default, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lender may cancel its commitments and/or declare all or part of the loans or other utilisation, together with accrued interest, immediately due and payable.

EUSTREAM FACILITIES AGREEMENTS

Eustream is a party to a series of several bilateral revolving credit facility agreements dated 20 December 2019, as amended and restated from time to time, with several external lenders, and a syndicated revolving credit facility agreement dated 20 December 2019 with, among others, Slovenská sporiteľňa, a.s. as agent, and certain financial institutions named therein as lenders (the "Eustream Facilities Agreements"). The revolving facilities have terms of five years. In addition, commitment limits of several revolving facilities provided under the Eustream Facilities Agreements were reduced in July 2020 to the aggregate amount up to EUR 170 million (with no amount outstanding as of 31 December 2022).

The obligations of Eustream under the Eustream Facilities Agreements are general, senior unsecured obligations and rank equally in right of payment with the Eustream's existing and future indebtedness that is not subordinated in right of payment. The final maturity dates with respect to the revolving loan facilities under the Eustream Facilities Agreements occur on 20 December 2024.

The Eustream Facilities Agreements contain restrictive provisions and undertakings standard for this type of financing which, among other things, limit the Eustream's ability to dispose of assets, create security, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Some of the Eustream Facilities Agreements also contain a change of control provision the triggering of which may result in mandatory prepayment. In addition, the Eustream Facilities Agreements contains customary events of defaults, including, among other things, non-payment, breach of other obligations, misrepresentation, cross default, insolvency, insolvency proceedings, creditors' process, unlawfulness, repudiation and material adverse change. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

SPPD FINANCE CONTRACT I

SPPD is a party to a finance contract with the European Investment Bank ("EIB") dated 12 November 2014, as amended or restated from time to time ("SPPD Finance Contract I"). The SPPD Finance Contract I is English law governed and provides for a term loan in the aggregate amount of EUR 100 million due 23 December 2024 (with EUR 27 million outstanding as of 31 December 2022) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2014 and 2018.

The obligations of SPPD under the SPPD Finance Contract I are general, senior unsecured obligations of SPPD and rank equally in right of payment with the SPPD's existing and future indebtedness that is not subordinated in right of payment, including the SPPD Bonds. SPPD may, if it gives prior notice not less than one month, prepay the whole or any part of any tranche under the SPPD Finance Contract I, together with any accrued interest and indemnities. Furthermore, the SPPD Finance Contract I contains financial covenants involving the regular testing of the SPPD's net financial debt to EBITDA ratio, which may not exceed 2.65× for the relevant measurement period (12 months ending on 30 June and 31 December of each year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel its commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the SPPD Finance Contract I contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the SPPD's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, the SPPD Finance Contract I contains customary events of defaults, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

SPPD FINANCE CONTRACT II

SPPD is a party to the finance contract with EIB dated 25 September 2018, as amended and/or restated from time to time ("SPPD Finance Contract II"). The SPPD Finance Contract II is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 60 million due 23 September 2029 (with EUR 60 million outstanding as of as of 31 December 2022) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2019 and 2022.

The obligations of SPPD under the SPPD Finance Contract II are general, senior unsecured obligations of SPPD and rank equally in right of payment with the SPPD's existing and future indebtedness that is not subordinated in right of payment, including the SPPD Bonds. SPPD may, if it gives prior notice of no less than 30 calendar days, prepay the whole or any part of any tranche under SPPD Finance Contract II, together with any accrued interest and indemnities. Furthermore, the SPPD Finance Contract II contains financial covenants involving the regular testing of the SPPD's net financial debt to EBITDA ratio, which may not exceed 2.65× for the relevant measurement period (12 months ending on 31 January and 31 July of any year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Loans and borrowings

Further, the SPPD Finance Contract II contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the SPPD's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, SPPD Finance Contract II contains customary events of defaults, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

EUSTREAM FINANCE CONTRACT

Eustream is a party to the finance contract with EIB dated 27 December 2017, as amended and/or restated from time to time (the "Eustream Finance Contract"). The Eustream Finance Contract is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 65 million due 31 December 2027 (with EUR 53 million outstanding as of 31 December 2022) for the financing of the Poland-Slovak interconnector and modification of the existing compressor station at Velké Kapušany.

The obligations of Eustream under the Eustream Finance Contract are general, senior unsecured obligations of Eustream and rank equally in right of payment with the Eustream's existing and future indebtedness that is not subordinated in right of payment, including the Eustream Bonds. Furthermore, the Eustream Finance Contract contains financial covenants involving the regular testing of the Eustream's net financial debt to EBITDA ratio, which may not exceed 2.65x for the relevant measurement period (12 months ending on 31 December and 30 June of any year). Breach of the financial covenants constitutes an event of default upon which EIB may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

Further, the Eustream Finance Contract contains restrictive provisions and undertakings standard for this type of financing which, among other things, limit the Eustream's ability to dispose of assets, enter into material transactions, change its business or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. Moreover, the Eustream Finance Contract contains customary events of defaults, including, among other things, non-payment, misrepresentation, cross-default, insolvency, insolvency proceedings, security enforced, material adverse change, unlawfulness and licenses termination. On and at any time after the occurrence of an event of default, the lenders may cancel their commitments and/or declare all or part of the loans, together with accrued interest, immediately due and payable.

SSE FINANCE CONTRACT

SSEH, SSE and SSD are parties to the facilities agreement dated 30 June 2022, as amended (the "SSE Finance Contract") with Slovenská sporiteľňa, a.s., pursuant to which SSEH, SSE and SSD were provided with a term facility in the amount of EUR 50 million (with EUR 50 million outstanding as of 31 December 2022) and a revolving facility in the amount of 100 million (with EUR 50 million outstanding as of 31 December 2022), both due 30 June 2027.

The debts of SSEH, SSE and SSD are general, senior debts of SSEH, SSE and SSD and rank equally in right of payment with the borrowers' existing and future indebtedness that is not subordinated in right of payment. SSEH guarantees the payment obligations of SSE and SSD. The facilities are otherwise unsecured.

The SSE Finance Contract contains restrictive provisions standard for this type of financing which, among other things, limit the SSEH's ability to incur additional financial indebtedness, provide loans, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, provide loans or guarantees, create security or merge with other companies. These restrictions are subject to a number of exceptions and qualifications. The SSE Finance Contract also contains change of control provisions the triggering of which may result in mandatory prepayment.

EPH TERM AND REVOLVING FACILITIES AGREEMENT

On 16 March 2021, Energetický a průmyslový holding, a.s. ("EPH") signed a new EUR 1 billion term and revolving facilities agreement with a banking syndicate comprising of several international banks. The facilities are unsecured and rank pari passu with other financial indebtedness of EPH and have a three-year term.

During 2021 and 2022, EPH also signed additional bilateral commitments in total amount exceeding EUR 1,400 million with both local and international banks. These additional facilities are unsecured and rank pari passu with other financial indebtedness of EPH. Tenor of these facilities reaches up to five years.

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 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Issued debentures at amortised costs	4,350	3,561	4,380	4,448
Loans payable to credit institutions	1,512	1,492	1,254	1,256
Revolving credit facility	1,507	1,489	1,185	1,183
Lease liabilities	179	170	165	166
Factoring loans	100	100	43	43
Loans payable to other than credit institutions	59	59	32	31
Bank overdraft	-	-	7	7
Total	**7,707**	**6,871**	**7,066**	**7,134**

Issued debentures 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 2022	31 December 2021
Investing activities	-	-
Financing activities	501	220
Total	**501**	**220**

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.

For the year 2021, non-cash financing activities include partial set-off of SPPI loan provided to Slovenský plynárenský priemysel, a.s. The total amount of the loan was EUR 220 million, of which the amount of EUR 220 million was set-off against dividends declared by SPPI to Slovenský plynárenský priemysel, a.s.

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	Bank overdraft	Issued debentures	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance as 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**

Loans and borrowings

In millions of EUR

	Liabilities							Equity				
	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Bank overdraft	Issued debentures	Lease liabilities	Share capital / premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2021	**1,683**	**10**	**192**	**24**	**-**	**3,934**	**161**	**234**	**1,003**	**716**	**3,434**	**11,391**
Changes from financing cash flows												
Proceeds from loans and borrowings	949	20	1,430	174	82	1,010	-	-	-	-	-	**3,665**
Repayment of borrowings	(1,379)	-	(443)	(156)	(75)	(582)	-	-	-	-	-	**(2,635)**
Transaction cost related to loans and borrowings	(6)	-	-	-	-	(5)	-	-	-	-	-	**(11)**
Payment of lease liabilities	-	-	-	-	-	-	(31)	-	-	-	-	**(31)**
Set-off of dividends with loans provided	-	-	-	-	-	-	-	-	-	-	(220)	**(220)**
Dividend paid	-	-	-	-	-	-	-	-	-	(700)	(149)	**(849)**
Total change from financing cash flows	**(436)**	**20**	**987**	**18**	**7**	**423**	**(31)**	**-**	**-**	**(700)**	**(369)**	**(81)**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	2	-	(9)	7	(26)	**(26)**
Total effect of changes in foreign exchange rates	-	2	6	1	-	18	(6)	-	(54)	-	7	**(26)**
Other changes												
Liability related												
Interest expense	21	1	11	1	-	105	3	-	-	-	-	**142**
Interest paid[1]	(14)	(1)	(11)	(1)	-	(100)	(3)	-	-	-	-	**(130)**
Increase of lease liability	-	-	-	-	-	-	39	-	-	-	-	**39**
Liability from dividends not paid	-	-	-	-	-	-	-	-	-	-	-	-
Total liability-related other changes	**7**	**-**	**-**	**-**	**-**	**5**	**39**	**-**	**-**	**-**	**-**	**51**
Equity related												
Other equity related changes	-	-	-	-	-	-	-	-	(340)	851	149	660
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(340)**	**851**	**149**	**660**
Balance at 31 December 2021	**1,254**	**32**	**1,185**	**43**	**7**	**4,380**	**165**	**234**	**600**	**874**	**3,195**	**11,969**

(1) Interest paid does not include interest paid from interest rate swaps in amount of EUR 37 million as it has no impact on the items presented in the table.

28. 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 purchase 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 JTSD – Braunkohlebergbau 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.

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 2021	**352**	**421**	**77**	**45**	**1,137**	**69**	**2,101**
Provisions made during the period	38	1,354	18	4	64	23	**1,501**
Provisions used during the period	(18)	(450)	(29)	(8)	(28)	(15)	**(548)**
Provisions released during the period	(29)	-	(1)	(13)	(32)	(7)	**(82)**
Actuarial gains/losses	(117)	-	-	-	-	-	**(117)**
Change in provision recorded in property, plant and equipment	-	-	-	-	23	3	**26**
Acquisitions through business combinations[1]	43	-	-	-	56	3	**102**
Unwind of discount[2]	1	-	-	-	5	-	**6**
Effect of movements in foreign exchange rates	4	17	6	-	5	3	**35**
Balance at 31 December 2021	**274**	**1,342**	**71**	**28**	**1,230**	**79**	**3,024**
Non-current	*259*	*28*	*48*	*23*	*1,133*	*51*	***1,542***
Current	*15*	*1,314*	*23*	*5*	*97*	*28*	***1,482***

(1) The purchase of EP Power Minerals Group and Kraftwerk Schkopau GrB.
(2) Unwinding of discount is included in interest expense.
(3) As at 31 December 2021, the balance in amount of EUR 462 million represents mining related provisions recorded by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH. The balance in amount of EUR 213 million represents asset retirement costs recorded by EP France Group. The balance in amount of EUR 191 million represents asset retirement costs recorded by EP Produzione S.p.A. and Fiume Santo S.p.A. and the balance in amount of EUR 178 million represents decommissioning provisions recorded by NAFTA a.s. and NAFTA Germany GmbH. Remaining balance of EUR 186 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 167 million (2021: EUR 274 million) was recorded by Mitteldeutsche Braunkohlengesellschaft 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., Elektrárny Opatovice, a.s. and United Energy, a.s.

I. HELMSTEDTER REVIER GMBH

The provision recorded by Helmstedter Revier GmbH amounts to EUR 3 million (2021: EUR 31 million), of which EUR 2 million (2021: EUR 27 million) represents a defined benefit pension scheme. EUR 1 million (2021: EUR 4 million) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

In millions of EUR

	2022	2021
Plan A		
Fair value of plan asset	36	33
Present value of obligations	(38)	(60)
Total employee (benefit) asset	**(2)**	**(27)**
Early retirement		
Present value of obligations	(1)	(4)
Total employee (benefit) asset	**(1)**	**(4)**

During the year ended 31 December 2022, benefits paid by plans were EUR 1 million (2021: EUR 5 million), current service costs amounted to EUR 0 million (2021: EUR 2 million) and actuarial gains (losses) recognised in other comprehensive income were EUR 21 million (2021: gain EUR 4 million).

Change in the fair value of plan assets was a result of contribution to plan assets in amount of EUR 3 million.

II. GAZEL ENERGIE GENERATION S.A.S.

The provision recorded by Gazel Energie Generation S.A.S. amounts to EUR 79 million (2021: EUR 104 million), of which EUR 75 million (2021: EUR 104 million) represents a defined benefit pension scheme and EUR 4 million (2021: EUR 0 million) represents other post-employment benefits.

The schedules below summarise information about the defined benefit obligations and plan assets.

In millions of EUR

	2022	2021
Plan A		
Fair value of plan asset	-	-
Present value of obligations	(20)	(31)
Total employee (benefit) asset	**(20)**	**(31)**
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	(52)	(70)
Total employee (benefit) asset	**(52)**	**(70)**
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 2022, benefits paid by plans were EUR 3 million (2021: EUR 3 million), current service costs amounted to EUR 2 million (2021: EUR 10 million (revenue)) and current interest costs to EUR 1 million (2021: EUR 1 million) and actuarial gains (losses) recognised in other comprehensive income were EUR 29 million (2021: gain EUR 69 million).

III. 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:

Years of service	Multiples of average monthly wage
10 years or less	2
11–15 years	4
16–20 years	5
21–25 years	6
25 years and more	7

The minimum requirement of the Labour Code to post the retirement, equal to one average monthly salary, is included in the above multiples.

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.

IV. 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 43 million (2021: EUR 15 million). Plan assets are included in trade receivables and other assets (refer to Note 21).

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 24 million relates mainly to litigations and claims described in Note 37 – Litigations and claims (refer to Note 37 – Litigations and claims for more details).

As disclosed in Note 37 – 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 2022 and 31 December 2021.

PROVISION FOR RESTORATION AND DECOMMISSIONING

The provision of EUR 1,179 million (2021: EUR 1,230 million) was primarily recorded by entities in Germany (EUR 534 million; 2021: EUR 524 million); Italy (EUR 193 million; 2021: EUR 205 million); Storage segment (EUR 189 million; 2021: EUR 201 million), France (EUR 182 million; 2021: EUR 213 million) and other.

I. GERMANY (JTSD – BRAUNKOHLEBERGBAU 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.

The following expense items are considered:

- dewatering and flooding expenses;
- creation and stability of slope systems;
- soil preparation and treatment for subsequent agricultural and forest use;
- removal of all technical plants and equipment.

As at 31 December 2022, the provision for re-cultivation of both Schleenhain and Profen strip mines recorded by Mitteldeutsche Braunkohlen Gesellschaft mbH 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.

Estimates are reviewed by an external expert/engineering office to ensure that mining provisions have been properly created. These external experts determine the value of all expense items listed above on the basis of usual market prices. In 2022, quantities and values were adjusted based on the latest information available. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate in range of 1.65%–5.95% (2021: 0.51%) and a discount rate in range between 2.7%–3.3% (2021: range between 0.89%–1.08%) were used to calculate the provisions in case of Mitteldeutsche Braunkohlen Gesellschaft mbH and annual inflation rate in range of 1.65%–5.95%

(2021: 0.51%) and a discount in range of 2.26%–3.02% (2021: 0.2%) were used to calculate the provisions in case of Helmstedter Revier GmbH.

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of inflation rate by 1%	(71)	(79)
Decrease of inflation rate by 1%	60	65

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by JTSD – Braunkohlebergbau GmbH and Helmstedter Revier GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of discount rate by 1%	59	64
Decrease of discount rate by 1%	(71)	(69)

II. STORAGE (POZAGAS A.S., NAFTA A.S., NAFTA GERMANY GMBH AND SPP STORAGE, S.R.O.)

NAFTA a.s. currently has 115 production wells in addition to 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. NAFTA a.s. has 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.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2022: 2.7%–3.3%; 2021: 1.1%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2022 and 2093.

Provisions

NAFTA Germany GmbH (through its subsidiaries) currently has 48 storage wells. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA Germany GmbH has the obligation to dismantle the storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2022: 2.7%–2.9%; 2021: 1.2%). The provision takes into account the estimated costs for the abandonment of storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2039 and 2048.

POZAGAS a.s. estimated the provision for decontamination and restoration 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 (2022: 3%; 2021: 1.2%).

SPP Storage, s.r.o. ("SPP Storage") currently has 3 production wells and 38 storage wells. Production wells that are currently in production 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 or after the operation of the underground storage facility is discontinued. SPP Storage, s.r.o. has 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.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (2022: 3.6%–4.1%; 2021: 3%). The provision takes into account the estimated costs for the abandonment of production and storagewells and the costs of restoring the sites to their original condition. SPP Storage, s.r.o. prepared newestimated costs for abandonment and restoration in 2022. These costs are expected to be incurred between2034 and 2091.

The Group uses stress tests in the form of expected costs, inflation and discount rate shocks, i.e. simulated immediate increase/decrease in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for asset retirement obligations recognised by NAFTA a.s. and NAFTA Germany GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of inflation rate by 1%	(37)	(44)
Decrease of inflation rate by 1%	28	32

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for asset retirement obligations recognised by NAFTA a.s. and NAFTA Germany GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of discount rate by 1%	27	32
Decrease of discount rate by 1%	(37)	(44)

III. ITALY (EP PRODUZIONE S.P.A., FIUME SANTO S.P.A. AND EP CENTRALE TAVAZZANO MONTANASO S.P.A.)

As at 31 December 2022, the provision recognised by EP Produzione S.p.A., Fiume Santo S.p.A. and EP Centrale Tavazzano Montanaso S.p.A. for a total amount of EUR 181 million (2021: EUR 191 million) consists of the following items:

Asset retirement costs (ARO provision) in amount of EUR 145 million (EUR 60 million for Fiume Santo S.p.A., EUR 45 million for EP Produzione S.p.A. and EUR 40 million for EP Centrale Tavazzano Montanaso S.p.A; 2021: EUR 164 million, of which EUR 97 million for EP Produzione S.p.A. and EUR 67 million for Fiume Santo S.p.A.) represents a liability related to the eventual retirement of tangible assets. The long term provisions are calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for restoration of land totalling EUR 28 million (2021: EUR 15 million) in Lombardia (Tavazzano, Ostiglia plants) and Sardegna (Fiume Santo plant) region, where the power plants are located.

Provision for other risks, totalling EUR 8 million (2021: EUR 12 million), that represents provision for health and safety risk recorded by EP Produzione S.p.A. and potential liabilities arising from regulatory rules for Fiume Santo plant.

Estimated costs are adjusted by expected future inflation (2022: 0.75%–1.5%; 2021: 0.14%) and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate (2022: 2.52%–2.6%; 2021: 0.67%).

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

Provisions

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of inflation rate by 1%	(14)	(18)
Decrease of inflation rate by 1%	13	16

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of discount rate by 1%	12	16
Decrease of discount rate by 1%	(14)	(18)

IV. FRANCE

As at 31 December 2022, the provision recognised by 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. in total amount of EUR 151 million (2021: EUR 166 million) consists of the following items:

Provision for dismantling the windfarms and solar farms in France in amount of EUR 6 million (2021: EUR 6 million) represents a liability related to the eventual retirement of tangible assets. The provision is calculated as a present value of estimated future expenditures related to the fixed assets retirement.

Provision for Surschiste S.A. restoration of land for a total amount of EUR 2 million (2021: EUR 2 million).

Provision for dismantling the power plants of Gazel Energie Generation S.A.S. amounts EUR 143 million (2021: EUR 158 million) composed as follows:

Provision for dismantling power plants in the north of France (Emile Huchet power plants) EUR 65 million (2021: EUR 71 million); provision for dismantling power plants in the south of France (Provence power plants) EUR 40 million (2021: EUR 45 million); provision for dismantling closed power plants of Hornaing and Lucy EUR 28 million (2021: EUR 33 million) and provision for restoration of land totalling EUR 10 million (2021: EUR 9 million) mainly to clean up ashes.

Estimated costs are adjusted by expected future inflation (2022: 1.9%–4.469%; 2021: 0.33%) and discounted using a discount rate in range between 2.6%–3.2% (2021: 0.20%–1.22%).

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 1%.

At the reporting date, a change of 1% in the inflation rate would have increased or decreased the provision for restoration recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of inflation rate by 1%	(15)	(14)
Decrease of inflation rate by 1%	13	10

At the reporting date, a change of 1% in the discount rate would have increased or decreased the provision for restoration recognised by Gazel Energie Generation S.A.S., Aerodis S.A.S., Gazel Energie Renouvelables S.A.S. and Gazel Energie Solaire S.A.S. by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In millions of EUR

	2022 Profit (loss)	2021 Profit (loss)
Increase of discount rate by 1%	13	10
Decrease of discount rate by 1%	(15)	(12)

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.

29. Deferred income

In millions of EUR

	31 December 2022	31 December 2021
Government grants	89	92
Other deferred income	58	34
Total	**147**	**126**
Non-current	83	98
Current	64	28
Total	**147**	**126**

Balance of government grants in amount of EUR 89 million (2021: EUR 92 million) is mainly represented by eustream, a.s. of EUR 54 million (2021: EUR 58 million), Elektrárny Opatovice, a.s. of EUR 15 million (2021: EUR 20 million), Severočeská teplárenská, a.s. of EUR 7 million (2021: EUR 7 million), Plzeňská teplárenská, a.s. of EUR 4 million (2021: EUR 3 million) and Alternative Energy, s.r.o. of EUR 2 million (2021: EUR 3 million).

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.

Elektrárny Opatovice, a.s., Alternative Energy, s.r.o. and Plzeňská teplárenská, a.s.were provided with government grants to reduce emission pollutions and to build biogas facility. Deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of other deferred income in amount of EUR 58 million (2021: EUR 34 million) is mainly represented by Gazel Energie Generation S.A.S. of EUR 19 million (2021: EUR 6 million), Gazel Energie Solutions S.A.S. of EUR 19 million (2021: EUR 6 million) and EP Cargo a.s. of EUR 9 million (2021: EUR 11 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. EP Cargo a.s.'s deferred income represents compensation raised from a business partner from an unrealized business case. The compensation covers capitalized additional investment costs and expected losses from a previously concluded rent contract. Because the losses from the rent contract occur over duration of the contract and because the capitalized costs are depreciated over time, the compensation is also recognized in revenues over time.

30. Financial instruments

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In millions of EUR

	31 December 2022	31 December 2021
Assets carried at amortised cost		
Loans to other than credit institutions	169	96
Other short-term deposits	13	12
Impairment of loans to other than credit institutions	(13)	(14)
Total	**169**	**94**
Assets carried at fair value		
Hedging: *of which*	940	645
Commodity derivatives cash flow hedge[(1)]	*931*	*643*
Interest rate swaps cash flow hedge	*9*	-
Currency forwards cash flow hedge	-	*2*
Non-hedging: *of which*	5,024	3,329
Commodity derivatives reported as trading[(2)]	*4,740*	*3,291*
Equity option at fair value through PL	*160*	*20*
Interest rate swaps reported as trading	*84*	*2*
Currency forwards reported as trading	*36*	*16*
Other derivatives reported as trading	*3*	-
Currency swaps reported as trading	*1*	-
Equity instruments at fair value through OCI: *of which*	107	87
Shares at fair value through OCI	*107*	*87*
Equity instruments at fair value through PL: *of which*	8	8
Shares at fair value through PL	*8*	*8*
Total	**6,079**	**4,069**
Non-current	740	395
Current	5,508	3,768
Total	**6,248**	**4,163**

(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, eustream, a.s. is active in hedging cash inflows predominantly from gas-in-kind received from shippers. eustream, a.s. regularly performs estimations of the surplus of natural gas from received gas-in-kind and enters into short and mid-term commodity swaps 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.

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In millions of EUR

	31 December 2022	31 December 2021
Liabilities carried at amortised cost		
Issued bills of exchange at amortised costs	213	42
Other financial liabilities	9	-
Total	**222**	**42**
Liabilities carried at fair value		
Hedging: *of which*	1,162	1,437
Commodity derivatives cash flow hedge	*1,155*	*1,431*
Currency forwards cash flow hedge	*7*	*3*
Interest rate swaps cash flow hedge	-	*3*
Non-hedging: *of which*	3,809	4,282
Commodity derivatives reported as trading[(1)]	*3,761*	*4,127*
Interest rate swaps reported as trading	*38*	*138*
Other derivatives reported as trading	*6*	-
Currency forwards reported as trading	*4*	*17*
Total	**4,971**	**5,719**
Non-current	441	672
Current	4,752	5,089
Total	**5,193**	**5,761**

(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 2022 was 6.36% (2021: 4.76%).

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

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)**

In millions of EUR

	31 December 2021		31 December 2021	
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	3,133	(4,031)	645	(1,437)
Commodity derivatives cash flow hedge	*2,200*	*(3,074)*	*643*	*(1,431)*
Currency forwards cash flow hedge	*861*	*(882)*	*2*	*(3)*
Interest rate swaps cash flow hedge	*72*	*(75)*	*-*	*(3)*
Non-hedging: *of which*	11,540	(12,311)	3,329	(4,282)
Commodity derivatives reported as trading	*7,804*	*(8,547)*	*3,291*	*(4,127)*
Equity option at fair value through PL	*-*	*-*	*20*	*-*
Currency forwards reported as trading	*1,875*	*(1,863)*	*16*	*(17)*
Interest rate swaps reported as trading	*1,861*	*(1,901)*	*2*	*(138)*
Total	**14,673**	**(16,342)**	**3,974**	**(5,719)**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 34 – 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 34 – Risk management policies and disclosures.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

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

In millions of 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*	-	4,864	160	**5,024**
Commodity derivatives reported as trading	-	*4,740*	-	***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**	**5,804**	**267**	**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**

In millions of EUR

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Hedging: *of which*	-	645	-	**645**
Commodity derivatives cash flow hedge	-	*643*	-	***643***
Currency forwards cash flow hedge	-	*2*	-	***2***
Non-hedging: *of which*	-	3,309	20	**3,329**
Commodity derivatives reported as trading	-	*3,291*	-	***3,291***
Equity option at fair value through PL	-	-	20	***20***
Currency forwards reported as trading	-	*16*	-	***16***
Interest rate swaps reported as trading	-	*2*	-	***2***
Equity instruments at fair value through OCI: *of which*	-	-	87	**87**
Shares at fair value through OCI	-	-	*87*	***87***
Equity instruments at fair value through PL: *of which*	8	-	-	**8**
Shares at fair value through PL	*8*	-	-	***8***
Total	**8**	**3,954**	**107**	**4,069**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	1,437	-	**1,437**
Commodity derivatives cash flow hedge	-	*1,431*	-	***1,431***
Interest rate swaps cash flow hedge	-	*3*	-	***3***
Currency forwards cash flow hedge	-	*3*	-	***3***
Non-hedging: *of which*	-	4,282	-	**4,282**
Commodity derivatives reported as trading	-	*4,127*	-	***4,127***
Interest rate swaps reported as trading	-	*138*	-	***138***
Currency forwards reported as trading	-	*17*	-	***17***
Total	**-**	**5,719**	**-**	**5,719**

There were no transfers between fair value levels in either 2022 or 2021.

The fair value of financial instruments held at amortised costs is shown in the table below:

In millions of EUR

	Carrying value 31 December 2022	Fair value 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**

In millions of EUR

	Carrying value 31 December 2021	Fair value 31 December 2021
Financial assets		
Loans to other than credit institutions	(1)82	83
Other short-term deposits	12	12
Total	**94**	**95**
Financial liabilities		
Issued bills of exchange at amortised costs	42	42
Total	**42**	**42**

(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 2022 the Group is contractually obliged to forward purchase 25,229,058 pieces (2021: 22,089,000 pieces) of emission rights at an average price 82.42 EUR/piece (2021: 63.63 EUR/piece), with delivery between 2023 and 2024.

31. Trade payables and other liabilities

In millions of EUR

	31 December 2022	31 December 2021
Trade payables	1,942	605
Margin of stock exchange derivatives	552	353
Accrued expenses	438	208
Uninvoiced supplies	427	144
Other tax liabilites	157	153
Payroll liabilities	136	113
Estimated payables	124	539
Advance payments received	73	23
Other contingent consideration(1)	70	76
Retentions to contractors	5	2
Liabilities to partners and associations	-	1
Other liabilities	484	112
Total	**4,408**	**2,329**
Non-current	92	89
Current	4,316	2,240
Total	**4,408**	**2,329**

(1) In 2016, the EPH Group acquired 33% share in SPH Group. In addition to the purchase price paid upon closing of the first stage of the transaction, remaining part of the purchase price will be subject to a price adjustment mechanism. As at 31 December 2022, EPH Group recognised a liability of EUR 70 million as an estimate of probable future payment (2021: EUR 76 million).

Trade payables and other liabilities have not been secured as at 31 December 2022 and 31 December 2021.

As at 31 December 2022 and 2021, 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 2022 and 2021, 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 34 – Risk management policies and disclosures.

32. Commitments and contingencies

OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2022	31 December 2021
Commitments	3,686	2,491
Guarantees given	1,150	66
Granted pledges – securities	529	522
Other granted pledges	1,361	1,490
Total	**6,726**	**4,569**

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 1,140 million (2021: EUR 44 million) used mainly as a collateral for commodity hedging by equity-accounted investees and payment guarantees of EUR 10 million (2021: EUR 22 million).

COMMITMENTS

In 2018, Mitteldeutsche Braunkohlengesellschaft mbH ("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 developed companies 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 1,368 million (2021: EUR 615 million), where physical delivery of the energy will be realised in future, majority of which in 2023. Year on year increase of the commitment value is primarily driven by the price effect. Contracts for purchase of non-current assets of EUR 19 million (2021: EUR 17 million) are recognized by SSE Group and of EUR 8 million (2021: EUR 25 million) by eustream, a.s. and contracts for future purchase of emission rights of EUR 2,079 million (2021: EUR 1,406 million) are recognized by EP Produzione S.p.A., MIBRAG, Saale Energie GmbH, Kraftwerk Mehrum GmbH, EP France Group, EPUKI Group, Elektrárny Opatovice, a.s., United Energy, a.s. and Plzeňská teplárenská, a.s. Remaining commitments arise from different type of service contracts.

OTHER GRANTED PLEDGES

In millions of EUR

	31 December 2022	31 December 2021
Trade receivables	638	637
Property, plant and equipment	564	626
Cash and cash equivalents	124	186
Inventories	35	41
Total	**1,361**	**1,490**

Other granted pledges include net book value of property, plant and equipment, cash and cash equivalents, trade receivables and inventories pledged mainly by EP SHB Limited and EP Langage Limited and Lynemouth Power Limited. Total value of assets pledged by each of these companies is limited by value of net assets. Pledged cash is readily available unless the respective entities are in the event of default.

OFF BALANCE SHEET ASSETS

In millions of EUR

	31 December 2022	31 December 2021
Received promises	2,854	1,730
Other received guarantees and warranties	298	270
Total	**3,152**	**2,000**

RECEIVED PROMISES

Received promises mainly comprise the loan commitments received by the various companies within the Group in amount of EUR 1,604 million (2021: EUR 1,143 million). Contracts for the future sale of energy in amount of EUR 1,249 million (2021: EUR 587 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 193 million (2021: EUR 100 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and guarantees received from banks of EUR 41 million (2021: EUR 160 million) recognised by NAFTA a.s. and payment guarantees of EUR 64 million recognized by EP Commodities a.s., Gazel Energie Solutions S.A.S. and EP Power Minerals GmbH (2021: EUR 8 million).

33. Leases

A LEASES AS A LESSEE

The Group leases buildings, pipelines, locomotives and wagons and personal cars. The leases have various lease terms and run under various period of time. For some leases, the Group has an option to renew the lease after the end of the lease term.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases (lease term 12 months or shorter). The Group recognises the lease payments associated with these leases as an expense.

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 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**
Balance at 1 January 2021	**34**	**125**	**159**
Depreciation charge for the year	(7)	(28)	(35)
Additions to right-of-use assets	18	21	39
Additions in business combinations	1	1	2
Disposals	(1)	(2)	(3)
Effects of movements in foreign exchange rate	1	6	7
Balance at 31 December 2021	**46**	**123**	**169**

MATURITY ANALYSIS OF LEASE LIABILITIES

In millions of EUR

	31 December 2022	31 December 2021
Undiscounted contractual cash flows by maturity		
Up to 3 months	11	6
3 months to 1 year	37	26
1–5 years	91	91
Over 5 years	45	48
Total undiscounted contractual cash flows	**184**	**171**
Carrying amount	**179**	**165**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2022	2021
Depreciation charge for the year	(72)	(35)
Interest on lease liabilities	(4)	(3)
Expenses related to short-term leases	(15)	(5)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(2)	(4)
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

	2022	2021
Payment of lease liabilities	(70)	(31)
Payment of interest related to lease liabilities	(3)	(3)
Total cash outflow for leases	**(73)**	**(34)**

B LEASES AS A LESSOR

OPERATING LEASES

During the year ended 31 December 2022, EUR 13 million (2021: EUR 8 million) was recognised as income in profit or loss in respect of operating leases.

34. 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 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**

AS AT 31 DECEMBER 2021

In millions of EUR

	Corporate (non-financial institutions	State, government	Financial institutions	Banks	Individuals	Other	Total
Assets							
Cash and cash equivalents	-	-	-	2,497	-	-	**2,497**
Restricted cash	-	-	-	23	-	-	**23**
Contract assets	37	-	-	-	-	-	**37**
Trade receivables and other assets	3,427	485	-	23	21	19	**3,975**
Financial instruments and other financial assets	4,074	-	15	74	-	-	**4,163**
Total	**7,538**	**485**	**15**	**2,617**	**21**	**19**	**10,695**

CREDIT RISK BY LOCATION OF DEBTOR

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 2021

In millions of EUR

	Czech Republic	Slovakia	Switzerland	Italy	Germany	United Kingdom	France	Ireland	Netherlands	Luxembourg	Other	Total
Assets												
Cash and cash equivalents	563	254	55	582	122	851	45	11	6	-	8	**2,497**
Restricted cash	2	-	-	-	2	19	-	-	-	-	-	**23**
Contract assets	11	25	-	-	-	1	-	-	-	-	-	**37**
Trade receivables and other assets	206	205	31	756	643	892	272	132	-	642	196	**3,975**
Financial instruments and other financial assets	352	188	95	61	333	660	2,348	-	15	-	111	**4,163**
Total	**1,134**	**672**	**181**	**1,399**	**1,100**	**2,423**	**2,665**	**143**	**21**	**642**	**315**	**10,695**

As at 31 December 2022, location Other comprises mainly debtors located in Croatia and Poland (2021: Hungary and Austria).

II. IMPAIRMENT LOSSES

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired financial assets ("POCI"). At the date of the initial recognition, the assets is included in Stage I or POCI. Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), respectively credit impaired assets (Stage III).

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. For more information refer to Note 3(i) ii – Impairment – Financial assets (including trade and other receivables and contract assets).

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 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)**

In millions of EUR

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2021	**(4)**	**(5)**	**(195)**	**-**	**(204)**
Impairment losses recognized during the year	(14)	(2)	(14)	-	**(30)**
Reversal of impairment losses recognized during the year	-	-	8	-	**8**
Decrease due to derecognition of impaired assets	-	-	171	-	**171**
Write-offs	2	-	1	-	**3**
Effects of movements in foreign exchange rate	(1)	-	(8)	-	**(9)**
Balance at 31 December 2021	**(17)**	**(7)**	**(37)**	**-**	**(61)**

The most significant change which contributed to change in the loss allowance during 2022 was mainly change in the gross carrying amount of trade receivables (2021: derecognition of impaired financial assets including loss allowances). For more information on creation of loss allowance refer to Note 30 – Financial instruments.

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2022 and 2021 were as follows:

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Balance at 1 January 2022	**(14)**	**-**	**(47)**	**(61)**
Impairment losses recognized during the year	(5)	-	(18)	**(23)**
Reversals of impairment losses recognized during the year	5	-	7	**12**
Decrease due to derecognition of impaired assets	-	-	-	**-**
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	**(13)**	**(1)**	**(57)**	**(71)**

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Balance at 1 January 2021	**(178)**	**-**	**(26)**	**(204)**
Impairment losses recognized during the year	(6)	-	(24)	**(30)**
Reversals of impairment losses recognized during the year	4	-	4	**8**
Decrease due to derecognition of impaired assets	171	-	-	**171**
Write-offs	-	-	3	**3**
Effects of movements in foreign exchange rate	(5)	-	(4)	**(9)**
Balance at 31 December 2021	**(14)**	**-**	**(47)**	**(61)**

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 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**

AS AT 31 DECEMBER 2021

In millions of EUR

	Other term deposits	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	12	36	81	3,913	**4,042**
After maturity (net)	-	1	1	62	**64**
Total	**12**	**37**	**82**	**3,975**	**4,106**
A – Assets (gross)					
– before maturity	12	36	89	3,926	**4,063**
– after maturity <30 days	-	1	-	44	**45**
– after maturity 31–180 days	-	-	3	26	**29**
– after maturity 181–365 days	-	-	-	11	**11**
– after maturity >365 days	-	-	4	15	**19**
Total assets (gross)	**12**	**37**	**96**	**4,022**	**4,167**
B – Loss allowances for assets					
– before maturity	-	-	(8)	(13)	**(21)**
– after maturity <30 days	-	-	-	(1)	**(1)**
– after maturity 31–180 days	-	-	(2)	(9)	**(11)**
– after maturity 181–365 days	-	-	-	(9)	**(9)**
– after maturity >365 days	-	-	(4)	(15)	**(19)**
Total loss allowances	**-**	**-**	**(14)**	**(47)**	**(61)**
Total assets (net)	**12**	**37**	**82**	**3,975**	**4,106**

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

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 Group incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was not significant as at 31 December 2022 and therefore was not recognized.

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

The Group assessed the need to create a credit loss allowance for receivables due from banks (included in the item cash and cash equivalents) and concluded that the resulting loss allowance would be negligible and therefore it was not recognized.

B LIQUIDITY RISK

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

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

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

The table below provides an analysis of financial 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 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)**

* 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) Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa. 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.

AS AT 31 DECEMBER 2021

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)**7,066**	7,420	161	891	4,146	2,222
Trade payables and other liabilities	(3)**2,072**	2,072	1,104	879	89	-
Financial instruments and financial liabilities	(4)**5,171**	5,171	652	3,847	666	6
Total	**14,309**	**14,663**	**1,917**	**5,617**	**4,901**	**2,228**
Net liquidity risk position(5)	**(4,858)**	**(5,201)**	**2,888**	**(1,363)**	**(4,504)**	**(2,222)**

* Contract liabilities in amount of EUR 156 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 1,143 million.
(3) Advances received and margin payments in amount of EUR 257 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 590 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) Positive net liquidity risk position represents excess of financial assets over financial liabilities and vice versa. Financial assets in net liquidity risk position exclude advances given and margin payments in amount of EUR 1,120 million as these items will cause no future cash outflow and equity instruments in amount of EUR 87 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 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.

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

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

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2022 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	3,010	-	-	-	**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 30 – Financial instruments.

Interest rate risk exposure as at 31 December 2021 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	2,497	-	-	-	**2,497**
Restricted cash	23	-	-	-	**23**
Trade receivables and other assets	23	13	2	3,937	**3,975**
Financial instruments and other financial assets(1)	39	39	3	4,082	**4,163**
Total	**2,582**	**52**	**5**	**8,019**	**10,658**
Liabilities					
Loans and borrowings(2)	2,331	2,665	2,046	24	**7,066**
Trade payables and other liabilities	31	-	-	2,298	**2,329**
Financial instruments and financial liabilities(1)	78	8	-	5,675	**5,761**
Total	**2,440**	**2,673**	**2,046**	**7,997**	**15,156**
Net interest rate risk position	**142**	**(2,621)**	**(2,041)**	**22**	**(4,498)**
Effect of interest rate swaps	1,840	(273)	(1,567)	-	-
Net interest rate risk position (incl. IRS)(3)	**1,982**	**(2,894)**	**(3,608)**	**22**	**(4,498)**

(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 30 – 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

	2022 Profit (loss)	2022 Profit (loss)	2021 Profit (loss)	2021 Profit (loss)
Interest rate	*EURIBOR*	*SONIA*	*EURIBOR*	*SONIA*
Increase in interest rates by 1%	(13)	(3)	(3)	(1)
Decrease in interest rates by 1%	13	3	(13)	2

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, USD, GBP and PLN.

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 Czech crown against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

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

As of 31 December 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)
Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk) (G) = (E + F)	**470**	**61**	**110**	**(180)**	**12**

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 2021 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

	USD	EUR	GBP	PLN	Other
Assets					
Cash and cash equivalents	5	451	2	4	1
Restricted cash	-	-	-	-	-
Trade receivables and other assets	6	2,406	11	5	5
Financial instruments and other financial assets	29	4,836	2,739	46	-
Total (A)	**40**	**7,693**	**2,752**	**55**	**6**
Off balance sheet assets (B)					
Receivables from forward exchange contracts	17	1,153	77	40	-
Total (B)	**17**	**1,153**	**77**	**40**	**-**
Liabilities					
Loans and borrowings	6	5,412	1,512	20	1
Trade payables and other liabilities	2	1,688	114	2	4
Financial instruments and financial liabilities	-	3,445	68	-	-
Total (C)	**8**	**10,545**	**1,694**	**22**	**5**
Off balance sheet liabilities (D)					
Payables related to forward exchange contracts	54	794	922	-	-
Total (D)	**54**	**794**	**922**	**-**	**-**
Net FX risk position (E) = (A - C)	**32**	**(2,852)**	**1,058**	**33**	**1**
Effect of forward exchange contracts (F) = (B - D)	(37)	359	(845)	40	-
Effect of cash flow hedge of FX risk[(1)]	-	440	-	-	-
Net FX risk position (incl. forward exchange contracts and cash flow hedges on FX risk) (G) = (E + F)	**(5)**	**(2,053)**	**213**	**73**	**1**

(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 30 – Financial instruments).

The following significant exchange rates applied during the period:

EUR

	31 December 2022		31 December 2021	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
	EUR		CZK	
CZK 1	0.04071	0.04147	25.645	24.860
GBP 1	1.17266	1.12748	29.829	29.585
USD 1	0.94962	0.93756	21.682	21.951

SENSITIVITY ANALYSIS

A strengthening (weakening) of the Euro (2021: the Czech crown), as indicated below, against the CZK (2021: EUR), 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.

In the year ended 31 December 2022, sensitivity to changes in FX rates has decreased as a result of the change of functional currency of the Parent company and its selected subsidiaries.

Effect in millions of EUR

	2022 Profit (loss)
CZK (5% strengthening of EUR)	2
GBP (5% strengthening of EUR)	7
USD (5% strengthening of EUR)	(6)

Effect in millions of EUR

	2021 Profit (loss)
EUR (5% strengthening of CZK)	143
GBP (5% strengthening of CZK)	(53)
USD (5% strengthening of CZK)	(2)

Effect in millions of EUR

	2021 Other comprehensive income
EUR (5% strengthening of CZK)	(93)

A weakening of the Euro (2021: the Czech crown) 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's exposure to commodity risk principally consists of exposure to fluctuations in the prices of commodities, especially energy, gas and emission allowances, both on the supply and the demand side. The Group's primary exposure to commodity price risks arises from the nature of its physical assets, namely power plants and to a lesser extent from proprietary trading activities.

In case of favourable power prices, the Group manages the natural commodity risk connected with its electricity generation by selling the power it expects to produce in the cogeneration power plants and in ancillary services on an up to two-year forward basis. In case of low power prices, instead of entering into such forward contracts, the Group uses the flexibility of its own power generating capacities to react to current power prices with the aim to achieve better average selling price.

In addition, the Group purchases emission allowances on a forward basis.

The Group aims to reduce exposure to fluctuations in commodity prices through the use of forwards, swaps and various other types of derivatives.

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.

Commodity derivatives primarily represent forwards on purchase or sale of electricity and swaps relating to gas which are typically used to hedge the commodity price for eustream's operations, specifically locking the sales prices for surplus of gas-in-kind received from shippers (for more details refer to Note 30 – Financial instruments).

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 11 million (2021: EUR 33 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 10 million (2021: negative EUR 5 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 37 million (2021: EUR 40 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 and gas industries by the states in which it undertakes business activities. 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 basic principles of the price regulation in the Slovak Republic are governed by Act No. 250/2012 Coll., on Regulation in Network Industries, which provides that the method of price regulation shall reflect economically eligible costs, economic effectiveness, and a fair profit, including the extent of investments, which may be included in the price. More detailed rules on the price regulation and relevant formulas and calculations are set out in the implementing legislation adopted by the Slovak Regulatory Office for Network Industries ("RONI").

Electricity industry price regulation is regulated by RONI's Decree No. 18/2017 Coll., on determining price regulation in the electric power industry and certain conditions of regulated activities in the electric power industry (electricity price decree) containing the price regulation for electricity distribution and electricity supply. This regulation was issued for regulatory period 2017–2022. For the new regulatory period commencing on 1 January 2023, the regulation has not yet been officially issued. However, the drafts of new price regulations have been already prepared and published and are now subject to public scrutiny evaluation.

Maximum price for access to the distribution network and electricity distribution is determined separately for each voltage level (low, high, and very high) and calculated for the respective voltage level as a weighted average of specified tariffs. The maximum price for access to the distribution network and electricity distribution for a given voltage level reflects electricity distribution and electricity transmission, including losses incurred during electricity transmission, and is denominated in euro per unit of electricity distributed to end consumers in the relevant year. It is calculated using a formula set by the electricity price decree, which also lays down a specific formula for the calculation of the allowed profit variable.

Electricity prices for households and small enterprises are regulated providing for a capped profit margin per MWh. The sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts. Such contracts usually determine the price for the supply of the commodity. For small enterprises and households, composite electricity supply contracts define the products for which price lists are issued in accordance with RONI's price decisions for the regulated entity as a supplier of electricity. RONI sets a maximum margin per MWh to be charged by the supplier.

Slovak law provides for the designation of a supplier of last resort in the electricity sector. Such a supplier of last resort is the electricity supplier which must supply electricity to a customer whose original electricity supplier has lost its ability to supply electricity. The supplier of last resort is designated by RONI, and it is generally the electricity supply licence holder which is part of the vertically integrated undertaking to which the respective distribution licence holder also belongs. The supply of electricity by the supplier of last resort is subject to price regulation.

Gas price regulation is regulated by RONI's Decree No. 450/2022 Coll., on determining the price regulation for gas supply and RONI's Decree No. 451/2022 Coll. on determining the price regulation of certain regulated activities (gas price decree) which also regulates the price regulation for gas transmission and gas distribution.

RONI regulates the tariffs for access to the gas distribution network and for gas distribution by determination of the method of calculation of the maximum tariff for access to the gas distribution network and for gas distribution. The distribution tariff is calculated in accordance with the formula set in the gas price decree. The regulated prices for access to the distribution system and gas distribution are charged by the gas DSO to gas suppliers who then pass the prices to their end-customers. The gas suppliers are required to secure their payments by bank guarantees or other security instruments, typically cash collaterals, in the extent set out in the operational order of the gas DSO.

The current regulatory period in respect of both gas and power distribution started on 1 January 2023 and will end on 31 December 2027.

The gas transmission tariffs applicable to Eustream, an operator of a large-scale high-pressure gas transmission system in the Slovak Republic, are regulated by the Commission Regulation 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (network code on harmonised tariffs). On 29 May 2019, RONI issued a decision implementing the rules of the network code on harmonised tariffs. On 28 December 2021, a RONI's price decision aligned with the new tariff calculation methodology was issued, setting tariffs (for entry/exit points with EU Member States) in the Slovak Republic as from 1 January 2022, despite the fact that due to the prolongation of the previous regulatory period, the new regulatory period generally commenced on 1 January 2023. While transmission tariffs in the Slovak Republic for the previous regulatory period were set purely based on direct comparison of tariffs (also known as benchmarking) with other TSOs, starting from 2022 benchmarking of tariffs remained to be used as the secondary adjustment of the reference prices calculated on the cost base principles. The network code on harmonised tariffs envisages the setting of the tariff system to be recalculated following a consultation at least every five years.

Under the rules on crisis regulation applicable in the event of, for example, disproportional increase in energy prices, the Slovak Government is empowered to implement certain regulatory measures, including price regulation, which will prevail over the applicable RONI's pricing decisions. Within this power, the Slovak Government adopted (i) Regulation No. 465/2022 Coll. determining the maximum prices for part of regulated electricity and gas supply for selected consumers and amounts of tariffs for households and selected electricity consumers, and (ii) Regulation No. 19/2023 Coll. determining the maximum prices for part of regulated gas supply for households and small consumers and regulated electricity supply for small consumers. As a result, among other things, the following rules apply to the pricing regulation in 2023: (i) limitation to only 15% of increase in gas prices for households in comparison to 2022, (ii) introduction of a price cap of EUR 199 per MWh on electricity prices for small enterprises with annual consumption not exceeding 30 MWh, or (iii) introduction of price cap of EUR 99 per MWh on gas prices for small enterprises with annual consumption not exceeding 100 MWh. Unless the differences between the prices set by RONI and prices set by the Slovak Government are compensated from the state's budget, they shall be reflected in RONI's pricing regulation during the following (maximum four year) period after the end of crisis regulation.

The Czech Energy Regulatory Office ("ERO") issues pricing decisions that set forth mandatory guidelines applicable to the calculation of heat prices. These rates are comprised of (i) the economically justified costs necessary for production and distribution of heat, (ii) appropriate profit, and (iii) VAT. Furthermore, ERO sets the limit price for heat which allows the Company's subsidiaries to set their own heat price, on the condition that it is lower than the limit price and follows the calculation principles. Nevertheless, ERO also has the right to review retroactively

the operations of a heat producer for the previous 5 years with respect to the heat-price setting mechanism applied by that particular entity. If the entity is not able to duly justify the pricing mechanism applied, ERO may impose significant penalties which could have material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects. The fact that the price of heat is not set by ERO as a fixed amount per unit gives rise to a degree of uncertainty on the part of the operator as there is the possibility that the calculation it carried out will be assessed as incorrect by ERO. However, ERO provided guidance on setting appropriate profit in the price decree issued in September 2021. The appropriate profit is currently defined as 6.5% of the historical cost of fixed assets, adjusted for cumulative inflation.

As regards electricity produced by cogeneration plants, ERO also stipulates the amount of subsidy for electricity from high-efficiency cogeneration sources in its price decision in the form of a green bonus granted on an annual basis, which is set per MWh and granted on an annual or hourly basis. The respective tariff is set in the price decision in CZK per MWh and has different levels depending on the size of the plant, overall time of its use during a year and the fuel it uses. It is common for ERO to issue the price decision annually, in the autumn for the coming calendar year. In September 2022, ERO issued a new price decree, reducing the cogeneration subsidy to zero for 2023, reflecting the elevated power prices which are viewed by ERO as adequate for compensating the power producers.

An amendment in respect of the Czech Promoted Energy Sources Act was approved in September 2021. The amendment introduces, among others, a (i) system of auctions where producers would compete for operating subsidies on renewable power and power from cogeneration and (ii) a transformational emission allowance subsidy through which heat plant operators would be eligible for financial compensation of the price paid for emission allowances consumed for heat generation if the heat plant operator commits to phase out coal by 31 December 2030. Implementation of the subsidy nevertheless requires prior state aid approval from the European Commission. This approval has not yet been obtained.

In reaction to the current energy crisis, the Czech Government decided to fix the prices of electricity and gas for certain customers. Currently, the prices of electricity and gas for the year 2023 are capped by Regulation No. 298/2022 Coll. The Government may reissue the regulation if the current extraordinary market situation persists for a longer period. At the same time, if the situation were to be resolved, the Government could immediately revoke the Regulation even before the expiry of the period for which it was issued. Regulation No. 298/2022 Coll. sets out further details of the price cap, including primarily (i) the maximum price (i.e. price caps) which may be charged by a supplier to a customer, (ii) categories of customers to whom the maximum prices applies; and (iii) that part of the consumption which is covered by the price cap for a specific customer group (in those cases where the cap does not cover the entire consumption). Prices are capped at CZK 2,500 per MWh of gas and CZK 5,000 per MWh of electricity. Both prices exclude VAT and regulated charges.

In addition, a revenue cap has been in the Czech Republic introduced based on Council Regulation (EU) 2022/1854. This revenue cap applies to electricity generators whose revenue from the sale of electricity on the wholesale electricity market exceeds the threshold set by Act No. 458/2000 Coll. (the "Energy Act") and implementing regulation No. 407/2022. This equals to 90% of the revenue above the set threshold. The revenue caps are a temporary solution. According to the Energy Act, they will apply for the period from 1 December 2022 to 31 December 2023 (as opposed to EU Regulation No. 2022/1854, under which the revenue caps should be effective only until 30 June 2023). The general revenue cap is set at 180 EUR/MWh in the Council Regulation (EU) 2022/1854. The Czech legislator has decided to apply a different revenue cap for certain energy sources, including those using, which is used by the Group's heating plants and revenue from which is capped at 230 EUR/MWh.

Furthermore, a so-called windfall tax was introduced last year as an amendment to Act No. 586/1992 Coll., Act on Income Tax, targeting companies in the energy and banking sectors to tax 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 taxpayer of the windfall tax is an entity with revenues above a certain limit from the relevant activities, meaning energy and banking sector. 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, so 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 EPIF Group. Within the Group, EP Energy Trading, a.s., Dobrá Energie s.r.o. and EP Commodities, a.s. are subject to the windfall tax. However, the Group does not expect any material tax liability arising from the windfall tax. The effect of the windfall tax which arises from renewable generation sources, such as wind and solar, is immaterial 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 latest events on energy market and variable nature of power generation from renewables.

As current energy crises uncovered, 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 extension 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 end of 2023. This regulation cap 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). Extension of the regulation after 2023, decrease of allowed margin or including hard coal power plants might adversely affect Group's performance in future.

GERMANY

Germany as 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 1.236× of CO_2 allowance price. Extension of this regulation beyond stated period or change in price cap calculation or including other power sources that are operated by the Group in Germany 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 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 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 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 impacts 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 2024.

As reaction to energy crisis, Italian government introduced 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 number 2022/1854, provided for emergency interventions to deal with high energy prices. In particular, a cap on revenues of 180 euro/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 euro/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 ETS. EU ETS ended its Phase III last year, 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 European parliament and Council of Ministers agreed on the reform of the ETS, which will become effective from 1 January 2024. 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.

Furthermore, the Carbon Border Adjustment Mechanism was proposed and should remove exemptions for Europe's manufacturing and aviation industries, which now receive 80% and 85% of their allowances for free.

Previously mentioned is further pushing demand for EUAs and so also the prices of EUA up. As such, situation from past years when allowance prices were below expectation is no longer true. If the increasing prices will not be 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

Risk management policies and disclosures

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 2022	31 December 2021
Loans and borrowings	7,707	7,066
Issued bills of exchange	213	42
Less: cash and cash equivalents	3,010	2,497
Net financial debt(1)	**4,910**	**4,611**
Underlying EBITDA(2)	4,346	2,286
Net leverage	**1.1**	**2.0**

(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 2022 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 341 million (negative impact on profit or loss) from hedging reserves to profit or loss (2021: EUR 14 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 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.

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 2021	**40**	**(102)**	**96**	**153**	**187**
Cash flow hedges reclassified to profit or loss	20	15	(21)	-	**14**
Deferred tax – cash flow hedges reclassified to profit or loss	(5)	(3)	2	-	**(6)**
Revaluation of cash flow hedges	(506)	1	22	-	**(483)**
Deferred tax – cash flow hedges revaluation	93	-	(9)	-	**84**
Changes in hedging reserves recognized by equity accounted investees	-	-	-	10	**10**
Differences from movements in foreign exchange rate	(1)	-	-	-	**(1)**
Balance at 31 December 2021	**(359)**	**(89)**	**90**	**163**	**(195)**

(1) Including also hedge of foreign currency risk.
(2) As at 31 December 2021 cash flow hedge reserve related to currency forwards includes revaluation of both currency forwards that are recognised on balance sheet as at 31 December 2021 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 227 million (2021: negative EUR 311 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 84 million (2021: negative EUR 256 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 negative EUR 93 million (2021: negative EUR 37 million). For risk management policies, refer to Note 34(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 117 million (2021: negative EUR 166 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 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 444 million (2021: negative EUR 196 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 2022 and 2021:

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**

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	30	181	183	317
3 months to 1 year	579	1,099	1,858	2,470
1–5 years	34	151	159	287
Over 5 years	-	-	-	-
Total	**643**	**1,431**	**2,200**	**3,074**

The following tables provide details of cash flow hedge currency derivatives recorded by the Group as at 31 December 2022 and 2021:

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**

Risk management policies and disclosures

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	2	44	46
3 months to 1 year	-	1	58	59
1–5 years	-	-	17	15
Over 5 years	-	-	-	-
Total	**-**	**3**	**119**	**120**

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 EUR 71 million (2021: EUR 13 million). For risk management policies, refer to Note 34(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 2022 and 2021:

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**

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	50	50
3 months to 1 year	-	1	6	7
1–5 years	-	2	16	18
Over 5 years	-	-	-	-
Total	**-**	**3**	**72**	**75**

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 2023 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 positive EUR 66 million (2021: negative EUR 6 million). For risk management policies, refer to Note 34(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 2022 and 2021:

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**

In millions of EUR

	31 December 2021			
	Positive fair value	Negative fair value	Nominal amount hedged (buy)	Nominal amount hedged (sell)
Up to 3 months	-	-	16	25
3 months to 1 year	1	-	218	209
1–5 years	1	-	508	519
Over 5 years	-	-	-	9
Total	**2**	**-**	**742**	**762**

CASH FLOW HEDGES – EQUITY ACCOUNTED INVESTEES

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 465 million (2021: EUR 264 million). Remaining change of cash flow hedges attributable to equity accounted investees of negative

EUR 83 million (2021: negative EUR 254 million) was reported by associate Slovenské elektrárne, a.s. As the hedge accounting is applied by equity accounted investees, the hedging derivatives are not recognised on Group's consolidated statement of financial position.

35. Related parties

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

A THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021:

In millions of EUR

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31 December 2022	31 December 2022	31 December 2021	31 December 2021
Companies controlled by ultimate shareholder[1]	6	1	18	-
Associates and joint ventures	150	184	659	610
Other related parties	-	1	1	3
Total	**156**	**186**	**678**	**613**

(1) Daniel Křetínský represents the ultimate shareholder.

B THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021:

In millions of EUR

	Revenues and other income 2022	Expenses 2022	Revenues and other income 2021	Expenses 2021
Companies controlled by ultimate shareholder[1]	191	5	1	-
Associates and joint ventures	1,597	2,939	1,146	1,062
Other related parties	139	2	2	2
Total	**1,927**	**2,946**	**1,149**	**1,064**

(1) Daniel Křetínský represents the ultimate shareholder.

TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

For the financial years ended 31 December 2022 and 2021 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., Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, Energetický a průmyslový holding, a.s., EP Commodities, a.s., EP Produzione S.p.A. Group, EPNEI Group, EP Investment Advisors, s.r.o., JTSD – Braunkohlebergbau GmbH Group, Saale Energie, Kraftwerk Mehrum GmbH, EP Kilroot Limited, EP Ballylumford Limited, EP France Group, Tynagh Energy Limited and EP Power Minerals Group.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

In millions of EUR

	2022	2021
Nr. of personnel	115	102
Compensation, fees and rewards	21	12
Compulsory social security contributions	4	2
Total	**25**	**14**

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.

36. Group entities

The list of the Group entities as at 31 December 2022 and 31 December 2021 is set out below:

		31 December 2022		31 December 2021		2022	2021
	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	Germany	10	Direct	10	Direct	Equity	Equity
Lausitz Energie Bergbau AG	Germany	10	Direct	10	Direct	Equity	Equity
LEAG Holding, a.s.*	Czech Republic	50	Direct	50	Direct	Equity	Equity
Lausitz Energie Verwaltungs GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Kraftwerke AG	Germany	80	Direct	80	Direct	Equity	Equity
Kraftwerk Schwarze Pumpe GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Bergbau AG	Germany	80	Direct	80	Direct	Equity	Equity
GMB GmbH	Germany	100	Direct	100	Direct	Equity	Equity
Transport- und Speditionsgesellschaft Schwarze Pumpe mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Verwaltungsgesellschaft Brandenburg mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Brandenburg GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
Holzkontor und Pelletierwerk Schwedt GmbH	Germany	100	Direct	-	-	Equity	-
Propell GmbH	Germany	100	Direct	-	-	Equity	-
Lausitz Energie Verwaltungsgesellschaft Sachsen mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie Vorsorge- und Entwicklungsgesellschaft Sachsen mbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
LandWerte Verwaltungs GmbH (ZG Sachsen Verwaltungs GmbH)(1)	Germany	100	Direct	100	Direct	Equity	At cost
LE Erneuerbare Energien Sachsen Verwaltungs GmbH	Germany	100	Direct	-	-	Equity	-
Lausitz Energie Erneuerbare Verwaltungsgesellschaft mbH	Germany	100	Direct	100	Direct	Equity	Equity
Lausitz Energie PV Zschornewitz GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
EVA Verwaltungs GmbH	Germany	50	Direct	50	Direct	At cost	At cost

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
EVA Jänschwalde GmbH & Co. KG	Germany	50	Direct	50	Direct	Equity	Equity
Gaskraftwerk Leipheim GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
Gaskraftwerk Leipheim Verwaltungs GmbH	Germany	100	Direct	100	Direct	Equity	Equity
PV Böhlen GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	At cost
SERO LAUSITZ GmbH	Germany	100	Direct	100	Direct	Equity	At cost
MCR Engineering Lausitz GmbH	Germany	100	Direct	100	Direct	Equity	At cost
energy cubes GmbH	Germany	100	Direct	100	Direct	Equity	At cost
LandWerte Immobilien & Entwicklung GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	At cost
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	20	Direct	Consolidated	Consolidated
EP New Energy Italia S.r.l.	Italy	49	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
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
JTSD – Braunkohlebergbau GmbH	Germany	90	Direct	90	Direct	Consolidated	Consolidated
Mitteldeutsche Braunkohlen Gesellschaft mbH	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

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH[2]	Germany	-	-	51	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
Zukunft II GmbH[3]	Germany	50	Direct	-	-	At cost	-
BHKW Profen GmbH (Zukunft III GmbH)[3]	Germany	50	Direct	-	-	At cost	-
Photovoltaikpark Peres II GmbH	Germany	50	Direct	50	Direct	At cost	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
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH[2]	Germany	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
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
Zukunft II GmbH[3]	Germany	50	Direct	-	-	At cost	-
BHKW Profen GmbH (Zukunft III GmbH)[3]	Germany	50	Direct	-	-	At cost	-
Photovoltaikpark Peres II GmbH	Germany	50	Direct	50	Direct	At cost	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
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH[2]	Germany	30.5	Direct	-	-	Consolidated	Consolidated
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft II GmbH[3]	Germany	-	-	100	Direct	At cost	At cost
BHKW Profen GmbH (Zukunft III GmbH)[3]	Germany	-	-	100	Direct	At cost	At cost
Zukunft XII GmbH	Germany	100	Direct	-	-	At cost	-

	Country of incorporation	31 December 2022 Ownership %	31 December 2022 Ownership interest	31 December 2021 Ownership %	31 December 2021 Ownership interest	2022 Measurement	2021 Measurement
Zukunft XIII GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XIV GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XV GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XVI GmbH	Germany	100	Direct	-	-	At cost	-
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau Betreibsgesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Minerals GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
EP Power Grit GmbH	Germany	100	Direct	-	-	Consolidated	-
EP Power Grit N.V. (N.Z.M. GRIT)	Belgium	100	Direct	-	-	Consolidated	-
EP Power Grit B.V. (Maasgrit B.V. Maastricht)	Netherlands	100	Direct	-	-	At cost	-
EP Power Grit Hamburg GmbH	Germany	100	Direct	-	-	Consolidated	-
EP Power Grit Oy AB (Caesar Abrasives Finland Oy Ab)	Finland	100	Direct	-	-	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
Minex GmbH[4]	Germany	-	-	50	Direct	-	At cost
MINERALplus Stork GmbH & Co. KG[5], [8]	Germany	74	Direct	-	-	At cost	At cost
MINERALplus Stork Verwaltungs-GmbH[5]	Germany	100	Direct	-	-	At cost	At cost
Euroment B.V.	Netherlands	50	Direct	50	Direct	At cost	At cost
EP ENERGO MINERAL Sp. Z o.o. (STEAG Energo Mineral Sp. Z o.o.)	Poland	50	Direct	50	Direct	At cost	At cost
EP Energo Mineral Deutschland GmbH (STEAG Energo Mineral Deutschland GmbH)	Germany	100	Direct	100	Direct	At cost	At cost
STEAG Energo Mineral CZ s.r.o. v likvidaci[6]	Czech Republic	65	Direct	65	Direct	At cost	At cost
Power Minerals UK Holdings Ltd.[7]	United Kingdom	-	-	100	Direct	At cost	At cost
Power Minerals Ltd.[7]	United Kingdom	-	-	100	Direct	At cost	At cost
Orbolite Limited	United Kingdom	-	-	100	Direct	At cost	At cost
Biolite Technologies Limited	United Kingdom	-	-	100	Direct	At cost	At cost
Power Minerals Ltd.[7]	United Kingdom	100	Direct	-	-	At cost	At cost
Orbolite Limited	United Kingdom	100	Direct	-	-	At cost	At cost
Biolite Technologies Limited	United Kingdom	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. (Power Minerals Iceland ehf.)[8]	Iceland	90	Direct	-	-	At cost	At cost

	Country of incorporation	31 December 2022 Ownership %	31 December 2022 Ownership interest	31 December 2021 Ownership %	31 December 2021 Ownership interest	2022 Measurement	2021 Measurement
EP Power Minerals Asia Pte.Ltd. (STEAG Power Minerals Asia Pte.Ltd.)[8]	Singapore	100	Direct	-	-	At cost	At cost
Hoang Son Fly Ash and Cement JSC	Vietnam	50	Direct	-	-	At cost	At cost
EP Power Minerals Americas INC.	United States of America	100	Direct	-	-	At cost	-
STEAG Power Minerals Beteiligungsgesellschaft mbH[8]	Germany	-	-	100	Direct	At cost	At cost
Myrdalssandur ehf. (Power Minerals Iceland ehf.)[8]	Iceland	-	-	90	Direct	At cost	At cost
MINERALplus Stork GmbH & Co. KG[5], [8]	Germany	-	-	74	Direct	At cost	At cost
MINERALplus Stork Verwaltungs-GmbH[5]	Germany	-	-	100	Direct	At cost	At cost
EP Power Minerals Asia Pte.Ltd. (STEAG Power Minerals Asia Pte.Ltd.)[8]	Singapore	-	-	100	Direct	At cost	At cost
Hoang Son Fly Ash and Cement JSC	Vietnam	-	-	50	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
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 Group GmbH	Germany	100	Direct	100	Direct	At cost	At cost
RVA Engineering Solutions Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
RVA Europe Limited	Cyprus	100	Direct	-	-	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
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

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
EP Invest Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Belfast Power Holdings Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
Belfast Power Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Commodities AG (EP Commodity Solutions AG)	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
EPP 2 S.r.l.	Italy	100	Direct	100	Direct	At cost	At cost
EPP 3 S.r.l.	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.	France	100	Direct	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
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
EP Netherlands B.V. (EP Yuzivska B.V.)[9]	Netherlands	100	Direct	100	Direct	Consolidated	Consolidated
International Resource Invest AG	Switzerland	100	Direct	-	-	Consolidated	-
EP Ukraine B.V.	Netherlands	90	Direct	90	Direct	Consolidated	Consolidated
EP Hungary s.r.o. (Arsikon s.r.o.)	Czech Republic	100	Direct	100	Direct	At cost	At cost
HHE Group Ventures Kft.	Hungary	50	Direct	-	-	At cost	-
Industrial Park Opatovice s.r.o.[10]	Czech Republic	100	Direct	-	-	At cost	At cost

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	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	At cost
Boldore a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Greeninvest Energy, a.s.[11]	Czech Republic	42	Direct	-	-	Equity	Equity
EP BidCo Storage, a.s.	Czech Republic	100	Direct	-	-	At cost	-
GENETT GAS a.s.	Czech Republic	30	Direct	-	-	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.	Slovakia	100	Direct	100	Direct	Consolidated	Consolidated
EPH Financing CZ, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	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
EPHCEI HoldCo a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
ADCONCRETUM REAL ESTATE DOO BEOGRAD-STARI GRAD	Serbia	100	Direct	100	Direct	Consolidated	Consolidated
EP Logistics International, a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
SŽ EP Logistika d.o.o.	Slovenia	49	Direct	-	-	Equity	-
SŽ – Tovorni promet, d.o.o.	Slovenia	100	Direct	-	-	Equity	-
SI-Cargo Logistics d.o.o.	Serbia	100	Direct	-	-	At cost	-
FERSPED, d.o.o.	Slovenia	100	Direct	-	-	Equity	-
VV LOG d.o.o.	Slovenia	100	Direct	-	-	At cost	-
FERCARGO d.o.o. SARAJEVO	Bosna and Herzegovina	70	Direct	-	-	At cost	-

	Country of incorporation	31 December 2022 Ownership %	31 December 2022 Ownership interest	31 December 2021 Ownership %	31 December 2021 Ownership interest	2022 Measurement	2021 Measurement
Centar za kombinirani transport Zagreb d.d.	Croatia	29	Direct	-	-	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
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
JTSD – Braunkohlebergbau GmbH	Germany	10	Direct	10	Direct	Consolidated	Consolidated
Mitteldeutsche Braunkohlen Gesellschaft mbH	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
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH[2]	Germany	-	-	51	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

	Country of incorporation	31 December 2022 Ownership %	31 December 2022 Ownership interest	31 December 2021 Ownership %	31 December 2021 Ownership interest	2022 Measurement	2021 Measurement
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
Zukunft II GmbH[3]	Germany	50	Direct	-	-	At cost	-
BHKW Profen GmbH (Zukunft III GmbH)[3]	Germany	50	Direct	-	-	At cost	-
Photovoltaikpark Peres II GmbH	Germany	50	Direct	50	Direct	At cost	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
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH[2]	Germany	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
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
Zukunft II GmbH[3]	Germany	50	Direct	-	-	At cost	-
BHKW Profen GmbH (Zukunft III GmbH)[3]	Germany	50	Direct	-	-	At cost	-
Photovoltaikpark Peres II GmbH	Germany	50	Direct	50	Direct	At cost	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
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH[2]	Germany	30.5	Direct	-	-	Consolidated	Consolidated
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft II GmbH[3]	Germany	-	-	100	Direct	At cost	At cost
BHKW Profen GmbH (Zukunft III GmbH)[3]	Germany	-	-	100	Direct	At cost	At cost
Zukunft XII GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XIII GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XIV GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XV GmbH	Germany	100	Direct	-	-	At cost	-
Zukunft XVI GmbH	Germany	100	Direct	-	-	At cost	-
Saale Energie GmbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	100	Direct	100	Direct	Consolidated	Consolidated

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
DCR INVESTMENT a.s., v likvidaci	Czech Republic	100	Direct	100	Direct	At cost	At cost
ABS PROPERTY LIMITED	Ireland	100	Direct	100	Direct	Consolidated	Consolidated
EP Real Estate, a.s.[12]	Czech Republic	-	-	100	Direct	-	Consolidated
RPC, a.s.[13]	Czech Republic	-	-	100	Direct	-	Consolidated
Nové Modřany, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
PT Properties I, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
PT Properties II, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
PT Properties III, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
EP Properties, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
EP Hagibor, a.s.	Czech Republic	-	-	100	Direct	-	At cost
CR-EP s.r.o.	Czech Republic	-	-	50	Direct	-	At cost
HG1 s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
HG5 s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Tourbus, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
trabus, a.s.	Czech Republic	-	-	7.78	Direct	-	Consolidated
TOREA Plus, s.r.o.	Czech Republic	-	-	100	Direct	-	Consolidated
ČSAD Brno holding, a.s.	Czech Republic	-	-	100	Direct	-	Consolidated
Dopravák, s.r.o.	Czech Republic	-	-	100	Direct	-	Consolidated
trabus, a.s.	Czech Republic	-	-	89.89	Direct	-	Consolidated
Zeterano a.s.	Czech Republic	-	-	70	Direct	-	Consolidated
Klinika Brno, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Pavlovské terasy, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Apartmány Slunný vrch, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
AC Koliště, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Leskava centrum, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Rezidence Vyhlídalova, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Domky Myslivecká, s.r.o.[14]	Czech Republic	-	-	100	Direct	-	At cost
Seginus, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Vitality Resort Lány, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Vitality resort Řečkovice, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
EP Brno Project, s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
Střelničná reality s.r.o.	Czech Republic	-	-	100	Direct	-	Consolidated
Malešice Reality s.r.o.	Czech Republic	-	-	100	Direct	-	Consolidated
Zálesí Reality s.r.o.	Czech Republic	-	-	100	Direct	-	Consolidated
EPRE Reality s.r.o.[15]	Czech Republic	-	-	100	Direct	-	Consolidated
Power Reality s.r.o.[15]	Czech Republic	-	-	100	Direct	-	Consolidated
Groš reality I s.r.o.[15]	Czech Republic	-	-	100	Direct	-	At cost
Groš reality II s.r.o.[15]	Czech Republic	-	-	100	Direct	-	At cost
VS development s.r.o.	Czech Republic	-	-	100	Direct	-	At cost
RPC s.r.o. (VS nemovitosti s.r.o.)[13][16]	Czech Republic	-	-	100	Direct	-	At cost

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
RPC s.r.o. (VS nemovitosti s.r.o.)[13][16]	Czech Republic	-	-	100	Direct	-	At cost
EP nemovitosti I s.r.o.	Czech Republic	-	-	-	-	-	-
EP nemovitosti II s.r.o.	Czech Republic	-	-	-	-	-	-
EP nemovitosti III s.r.o.	Czech Republic	-	-	-	-	-	-
EP nemovitosti IV s.r.o.	Czech Republic	-	-	-	-	-	-
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.*	Netherlands	100	Direct	100	Direct	At cost	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
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
Elektrárny Opatovice, a.s. (VTE Moldava II, a.s.)[17]	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
V A H O s.r.o.[18]	Czech Republic	100	Direct	-	-	At cost	At cost
Farma Lístek, s.r.o.[18]	Czech Republic	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
Greeninvest Energy, a.s.[11]	Czech Republic	-	-	41.70	Direct	Equity	Equity
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	90	Direct	90	Direct	Consolidated	Consolidated
CHIFFON ENTERPRISES LIMITED*	Cyprus	100	Direct	100	Direct	At cost	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
Industrial Park Opatovice s.r.o.[10]	Czech Republic	-	-	100	Direct	At cost	At cost
Mirtheaven a.s.[19]	Czech Republic	-	-	100	Direct	-	At cost
EOP Distribuce, a.s. (Elektrárny Opatovice, a.s.)[20]	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
V A H O s.r.o.[18]	Czech Republic	-	-	100	Direct	At cost	At cost
Farma Lístek, s.r.o.[18]	Czech Republic	-	-	100	Direct	At cost	At cost
Stredoslovenská energetika Holding, a.s.	Slovakia	49	Direct	49	Direct	Consolidated	Consolidated

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
Kinet s.r.o.	Slovakia	80	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	-	-	Consolidated	-
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Consolidated	Consolidated
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
Plzeňské služby s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
PPT POTRUBNÍ TECHNIKA s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
TERMGLOBAL s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
TRAXELL s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	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	51	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	-	-	At cost	-
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	50	Direct	Equity	Equity
Nafta Exploration d.o.o.[21]	Croatia	-	-	100	Direct	-	Consolidated
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

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Measurement	Measurement
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	50	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
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	51	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	-	-	At cost	-
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	50	Direct	Equity	Equity
Nafta Exploration d.o.o.[21]	Croatia	-	-	100	Direct	-	Consolidated
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	50	Direct	At cost	At cost
CNG LLC	Ukraine	100	Direct	100	Direct	At cost	At cost
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

	Country of incorporation	31 December 2022 Owner-ship %	31 December 2022 Owner-ship interest	31 December 2021 Owner-ship %	31 December 2021 Owner-ship interest	2022 Measurement	2021 Measurement
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) On 2 August 2022, ZG Sachsen Verwaltungs GmbH was renamed to LandWerte Verwaltungs GmbH.
(2) On 27 January 2022, the shares of Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH ("Norgam") were transferred to Tagebau Profen GmbH & Co. KG (25.5% shares) and Tagebau Schleenhain GmbH & Co. KG (25.5% shares) as a part of an internal reorganization. On 1 September, both Tagebau Profen and Tagebau Schleenhain acquired additional 5% interests in Norgam. The Group total share in Norgam increased to 61%.
(3) On 27 January 2022, the shares of Zukunft II GmbH and BHKW Profen GmbH were transferred to Tagebau Profen GmbH & Co. KG (50% shares) and Tagebau Schleenhain GmbH & Co. KG (50% shares) as a part of an internal reorganization.
(4) On 1 January 2022, MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH acquired additional 50% of Minex GmbH and Minex GmbH merged with MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung (the successor company).
(5) On 22 December 2022, MINERALplus Stork GmbH & Co. KG and MINERALplus Stork Verwaltungs-GmbH were transferred to MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH as a part of internal reorganization.
(6) On 2 August 2022, STEAG Energo Mineral CZ s.r.o. was renamed to STEAG Energo Mineral CZ s.r.o. v likvidaci.
(7) On 10 September 2022, Power Minerals UK Holdings Ltd. was liquidated and share in Power Minerals Ltd. was transferred to EP Power Minerals GmbH.
(8) On 25 August 2022, STEAG Power Minerals Beteiligungsgesellschaft mbH merged with EP Power Minerals GmbH (successor company) and shares in Myrdalssandur ehf, MINERALplus Stork GmbH & Co. KG. and EP Power Minerals Asia Pte.Ltd. were transferred to the successor company.
(9) On 1 September 2022, EP Yuzivska B.V. was renamed to EP Netherlands B.V.
(10) On 18 January 2022, Industrial Park Opatovice s.r.o. was transferred to EP Power Europe, a.s. as a part of internal reorganization.
(11) On 14 February 2022, Greeninvest Energy, a.s transferred to EP Power Europe, a.s. as a part of internal reorganization.
(12) On 22 December 2022, EP Real Estate, a.s., including its subsidiaries, was sold out of the Group.
(13) During 2022, RPC, a.s. was resold to VS Nemovitosti s.r.o. and the entities merged. VS Nemovitosti s.r.o. is the successor company.
(14) On 2 November 2022, Domky Myslivecká, s.r.o. was sold out of the Group.
(15) On 1 January 2022, EPRE Reality s.r.o. split and subsequently merged with Power Reality s.r.o. and Groš reality II s.r.o. Company EPRE Reality s.r.o. ceased to exist after the transaction.
(16) On 10 November 2022, VS nemovitosti s.r.o. was transferred to VS development s.r.o. as a part of internal reorganization. On 31 December 2022, VS nemovitosti s.r.o. was renamed to RPC s.r.o.
(17) On 3 January 2022, VTE Moldava II, a.s. was renamed to Elektrárny Opatovice, a.s.
(18) On 1 January 2022, V A H O s.r.o. and Farma Lístek, s.r.o. were transferred to Elektrárny Opatovice, a.s. as a part of internal reorganization.
(19) On 26 December 2022, Mirtheaven a.s. was sold out of the Group.
(20) On 1 January 2022, Elektrárny Opatovice, a.s. was renamed to EOP Distribuce, a.s.
(21) On 22 February 2022, the company Nafta Exploration d.o.o. was liquidated.

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

37. Litigations and claims

GAZEL ENERGIE GENERATION S.A.S. ("GEG")

Gazel Energie Generation S.A.S. is disputing certain invoices relating to power trading with a counterparty concerning 2019 operations. In 2021, GEG asked the counterparty to provide justification on the invoices received and not yet paid, however the evidence of the calculation was not provided for. In respect of the litigation, a corresponding provision has been booked as at 30 December 2022 even though GEG believes that the claim is not justified. Final letter summing up the claims was sent beginning of 2022 and first step of negotiation took place between GEG and the counterparty during the summer 2022. Both parties agreed to extend the negotiations until the end of April 2023.

BIOMASSE ITALIA S.P.A. AND BIOMASSE CROTONE S.P.A.

A criminal investigation is currently pending before the Prosecutor's office in Cantazaro, Italy, 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. are currently involved. The companies are 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 company's assets could be initiated. The status of the criminal investigation is being monitored and only after the conclusion thereof could a better assessment be made.

EP RESOURCES AG ("EPR AG")

An arbitration is pending between EP Resources AG and Russian supplier regarding the alleged breach of five coal supply contracts following international sanctions imposed on Russia in March 2022 due to the invasion of Ukraine. The supplier claims damages amounting to USD 221.5 million for non-performance of the contracts. The arbitration started in January 2023 (with letter before claim sent on 30 December 2022) and the claimant made the submission of claims on 31 March 2023. The documents provided by the claimant are currently subject to scrutiny by team of experts and until the analysis is done, it is not possible to make a prediction regarding the outcome of the arbitration nor the actual amount recoverable in the proceedings. However, if it is proven the international sanctions prevented EPR AG to perform (e.g. the tribunal will accept defendant's position that performance of the contracts would result in making resources available to sanctioned individuals and/or in other breach of sanctions regime), it is probable the claim as a whole will be dismissed. As EPR AG strongly believes that the sanctions in place prevented the company from off-taking the five coal contracts from the Russian supplier, it views the claim as unsubstantiated and no provision was recorded as of 31 December 2022.

EP SHB LIMITED ("EP SHB")

On 4th October 2021, The Office of Gas and Electricity Markets ("OFGEM") opened an investigation into EP SHB's compliance with condition 20A of the Electricity Generation Standard License Conditions. The Company has fully cooperated with all requests for information to date and the process remains ongoing. Given the broad range of potential outcomes at the current time, it is not possible to accurately estimate what level of financial outflow, if any, EP SHB would be subject to and therefore no provision was recorded as of 31 December 2022.

38. Subsequent events

A MAJOR ACQUISITIONS

ACQUISITION OF SLOE AND RIJNMOND GAS-FIRED POWER PLANTS IN THE NETHERLANDS

On 5 January 2023, EP Netherlands B.V acquired Rijnmond power plant with 800 MW installed capacity. Furthermore on 25 January 2023, 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. 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. With a total installed capacity of 1,670 MW, EPH becomes a relevant player in the Dutch energy market, with approximately 7.5% share on total conventional installed capacity which will ensure a stable supply of energy into ongoing complex energy transition.

The Group acquired 100% share in the abovementioned companies. The purchase price is subject to a standard mechanism of a closing accounts settlement and therefore is currently not disclosed. The Group expects to complete the business combination as per IFRS 3 (allocation of the consideration transferred to the assets acquired and liabilities assumed) in the condensed consolidated interim financial statements as of and for the period ended 30 June 2023.

AGREEMENT TO ACQUIRE ADDITIONAL ENERGY SOURCES IN THE NETHERLANDS

In December 2022 EP Netherlands B.V. entered into definitive agreement to acquire additional energy sources in the Netherlands with an aggregate equivalent 863 MW installed capacity. Completion of this acquisition is subject to customary regulatory and anti-trust approvals. EP Netherlands B.V. expects to complete this acquisition in the first half of 2023.

B OTHER SUBSEQUENT EVENTS

CONTRACTS TO BUILD A GAS-FIRED POWER PLANT AND A BATTERY STORAGE FACILITY IN THE UK

EPH, through its subsidiary EP UK Investments Ltd, has successfully obtained provisional 15-year new build contracts for a combined 1700MW high efficiency H-class CCGT power project and a 299MW 2-hour battery storage project at the site of the former Eggborough coal station in East Yorkshire. The site was acquired by EPH in 2015 as part of its acquisition of Eggborough Power Ltd, a former 2000 MW coal plant that was decommissioned in 2018.Subject to Final Investment Decision, these projects will provide a major contribution to the provision of indigenous generation and energy security through the 2020s and into the 2030s. The high efficiency H-class CCGT project will be the single largest flexible generation asset to be commissioned in the UK since 2012, whilst the battery project will also be one of the largest to be built in the UK to date. Given the site's close proximity to existing National Grid infrastructure and a number of proposed CCUS and hydrogen pipeline routes, under EPUKI's plans these projects will make a significant contribution to the UK's energy transition and security for years to come. These contracts were awarded as part of the Capacity Market auction for the 2026/2027 Delivery Year held on 21st February. The provisional clearing price, subject to Secretary of State approval, was 63GBP/kW.

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 2022.

APPENDICES*:

Appendix 1 – Business combinations

Appendix 2 – Restated Consolidated statement of comprehensive income

* Information contained in the appendices form part of the complete set of these consolidated financial statements.

Date:	Signature of the authorised representative	
17 April 2023	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 2021

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of EP Power Minerals Group are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Property, plant, equipment, land, buildings	38	6	44
Intangible assets	2	-	2
Trade receivables and other assets	25	-	25
Financial instruments – assets	37	-	37
Inventories	12	-	12
Cash and cash equivalents	6	-	6
Deferred tax asset	12	(1)	11
Provisions	(84)	(3)	(87)
Deferred tax liabilities	**(3)**	**-**	(3)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(12)	-	(12)
Net identifiable assets and liabilities	**31**	**2**	**33**
Goodwill on acquisitions of a subsidiary			22
Cost of acquisition			**55**
Consideration paid, satisfied in cash (A)			55
Total consideration transferred			55
Less: Cash acquired (B)			6
Net cash inflow (outflow) (C) = (B – A)			**(49)**

(1) Represents values at 100% share.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date	70
Profit (loss) of the acquirees recognised since the acquisition date	4

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*	110
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	6

* Before intercompany elimination; based on local statutory financial information.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Dobrá energie s.r.o. are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Intangible assets	-	27	27
Trade receivables and other assets	17	-	17
Cash and cash equivalents	4	-	4
Deferred tax liabilities	-	(5)	(5)
Contract liabilities	(4)	-	(4)
Trade payables and other liabilities	(17)	-	(17)
Net identifiable assets and liabilities	**-**	**22**	**22**
Goodwill on acquisitions of a subsidiary			-
Cost of acquisition			**22**
Consideration paid, satisfied in cash (A)			22
Total consideration transferred			**22**
Less: Cash acquired (B)			4
Net cash inflow (outflow) (C) = (B – A)			**(18)**

(1) Represents values at 100% share.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date	25
Profit (loss) of the acquirees recognised since the acquisition date	2

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*	48
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*	3

* Before intercompany elimination; based on local statutory financial information.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed at the acquisition date of Kraftwerk Schkopau GrB are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustment	2021 Total(1)
Property, plant, equipment, land, buildings	10	43	53
Trade receivables and other assets	154	(66)	88
Inventories	9	-	9
Cash and cash equivalents	13	-	13
Provisions	(15)	-	(15)
Deferred tax liabilities	-	(5)	(5)
Trade payables and other liabilities	(118)	66	(52)
Net identifiable assets and liabilities	**53**	**38**	**91**
Goodwill on acquisitions of a subsidiary			3
Cost of acquisition			**94**
Consideration paid, satisfied in cash (A)			21
Consideration, other			73
Total consideration transferred			**94**
Less: Cash acquired (B)			13
Net cash inflow (outflow) (C) = (B – A)			**(8)**

(1) Represents values at 100% share.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date(1)	418
Profit (loss) of the acquirees recognised since the acquisition date(1)	(30)

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*(1)	676
Profit (loss) of the acquirees recognised in the year ended 31 December 2021*(1)	(24)

* Before intercompany elimination; based on local statutory financial information.

(1) Revenues and profit (loss) for Kraftwerk Schkopau include figures for the combined entity as Kraftwerk Schkopau merged with Saale Energie GmbH after the acquisition.

Appendix 2 – Restated Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AS PUBLISHED)

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR ("MEUR")

	2021
Revenues	**18,931**
Purchases and consumables	**(14,798)**
Subtotal	**4,133**
Personnel expenses	(575)
Depreciation and amortization	(742)
Repairs and maintenance	(106)
Emission rights, net	(838)
Taxes and charges	(114)
Other operating income	203
Other operating expenses	(468)
Own work, capitalized	29
Profit (loss) from operations	**1,522**
Finance income	110
Finance expense	(173)
Gain (loss) from financial instruments	7
Net finance income (expense)	**(56)**
Share of profit (loss) of equity accounted investees, net of tax	(8)
Gain (loss) from disposal of subsidiaries	33
Profit before income tax	**1,491**
Income tax expenses	(264)
Profit for the year	**1,227**
Items that are not reclassified subsequently to profit or loss	
Revaluation of property, plant and equipment, net of tax	3
Fair value reserve included in other comprehensive income, net of tax	77
Foreign currency translation differences from presentation currency	245
Items that are or may be reclassified subsequently to profit or loss	
Foreign currency translation differences for foreign operations	(291)
Effective portion of changes in fair value of cash-flow hedges, net of tax	(638)
Other comprehensive income for the year, net of tax	**(604)**
Total comprehensive income for the year	**623**
Profit attributable to:	
Owners of the Company	813
Non-controlling interest	414
Profit for the year	**1,227**
Total comprehensive income attributable to:	
Owners of the Company	457
Non-controlling interest	166
Total comprehensive income for the year	**623**
Total basic and diluted earnings per share in EUR	**0.20**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (RESTATED)

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR ("MEUR")

	2021
Revenues	**18,956**
Purchases and consumables	**(14,596)**
Subtotal	**4,360**
Services	(560)
Personnel expenses	(575)
Depreciation, amortization and impairment	(764)
Emission rights, net	(838)
Own work, capitalized	29
Other operating income (expense), net	(130)
Profit (loss) from operations	**1,522**
Finance income	130
Change in impairment on financial instruments and other financial assets	(13)
Finance expense	(173)
Net finance income (expense)	**(56)**
Share of profit (loss) of equity accounted investees, net of tax	(8)
Gain (loss) from disposal of subsidiaries	33
Profit before income tax	**1,491**
Income tax expenses	(264)
Profit for the year	**1,227**
Items that are not reclassified subsequently to profit or loss	
Revaluation of property, plant and equipment, net of tax	3
Fair value reserve included in other comprehensive income, net of tax	77
Foreign currency translation differences from presentation currency	245

Appendix 2 – Restated Consolidated statement of comprehensive income

	2021
Items that are or may be reclassified subsequently to profit or loss	
Foreign currency translation differences for foreign operations	(291)
Effective portion of changes in fair value of cash-flow hedges, net of tax	(638)
Other comprehensive income for the year, net of tax	**(604)**
Total comprehensive income for the year	**623**
Profit attributable to:	
Owners of the Company	813
Non-controlling interest	414
Profit for the year	**1,227**
Total comprehensive income attributable to:	
Owners of the Company	457
Non-controlling interest	166
Total comprehensive income for the year	**623**
Total basic and diluted earnings per share in EUR	**0.20**

Single audit report

Deloitte.

Deloitte Audit s.r.o.
Churchill I
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Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the 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 2022, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Energetický a průmyslový holding, a.s. as at 31 December 2022, 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 2022, 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 are responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional 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 31 March 2023

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

Statistical Financial Statements for the Year Ended 31 December 2022

EPH

Statutory Financial Statements
Year ended 31 December 2022
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 31.12.2022
(in CZK thousand)

		31.12.2022			31.12.2021
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	**153,276,922**	**147,355**	**153,129,567**	**161,145,117**
B.	**Fixed assets**	**115,924,070**	**147,355**	**115,776,715**	**116,477,778**
B.I.	***Intangible fixed assets***	**137**	**137**		
B.I.4.	Other intangible fixed assets	137	137		
B.II.	***Tangible fixed assets***	**1,873**	**1,218**	**655**	**989**
B.II.2.	Tangible movable assets and sets of tangible movable assets	1,873	1,218	655	989
B.III.	***Non-current financial assets***	**115,922,060**	**146,000**	**115,776,060**	**116,476,789**
B.III.1.	Equity investments – controlled or controlling entity	115,783,879	146,000	115,637,879	116,349,073
B.III.5.	Other non-current securities and investments	138,181		138,181	127,716
C.	**Current assets**	**37,215,976**		**37,215,976**	**44,537,480**
C.I.	***Inventories***	**27,508**		**27,508**	**32,702**
C.I.2.	Work in progress and semifinished goods	27,508		27,508	32,702
C.II.	***Receivables***	**32,308,025**		**32,308,025**	**38,709,322**
C.II.1.	Long-term receivables	**7,449,710**		**7,449,710**	**4,845,381**
C.II.1.2.	Receivables – controlled or controlling entity	4,469,495		4,469,495	4,764,833
C.II.1.3.	Receivables – associates	2,444,658		2,444,658	
C.II.1.5.	*Receivables – other*	**535,557**		**535,557**	**80,548**
C.II.1.5.4.	Sundry receivables	535,557		535,557	80,548
C.II.2.	***Short-term receivables***	**24,858,315**		**24,858,315**	**33,863,941**
C.II.2.1.	Trade receivables	1,169,206		1,169,206	265,590
C.II.2.2.	Receivables – controlled or controlling entity	22,812,381		22,812,381	32,626,695
C.II.2.3.	Receivables – associates	48,579		48,579	
C.II.2.4.	*Receivables – other*	**828,149**		**828,149**	**971,656**
C.II.2.4.3.	State – tax receivables	17,953		17,953	82,448
C.II.2.4.4.	Short-term prepayments made	4,252		4,252	9,395
C.II.2.4.5.	Estimated receivables	2,325		2,325	1,766
C.II.2.4.6.	Sundry receivables	803,619		803,619	878,047
C.IV.	***Cash***	**4,880,443**		**4,880,443**	**5,795,456**
C.IV.1.	Cash on hand	105		105	22
C.IV.2.	Cash at bank	4,880,338		4,880,338	5,795,434
D.	**Other assets**	**136,876**		**136,876**	**129,859**
D.1.	Deferred expenses	136,876		136,876	129,859

		31.12.2022	31.12.2021
	TOTAL LIABILITIES & EQUITY	**153,129,567**	**161,145,117**
A.	**Equity**	**58,280,827**	**87,081,781**
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***	**-469,057**	**-344,796**
A.II.2.	*Capital funds*	**-469,057**	**-344,796**
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-469,057	-344,796
A.IV.	***Retained earnings (+/-)***	**45,990,832**	**69,916,619**
A.IV.1.	Accumulated profits or losses brought forward (+/-)	45,990,832	69,916,619
A.V.	***Profit or loss for the current period (+/-)***	**8,759,052**	**13,509,958**
B.+C.	**Liabilities**	**94,848,102**	**74,062,580**
B.	**Provisions**	**468,487**	**2,599**
B.2.	Income tax provision	465,881	
B.4.	Other provisions	2,606	2,599
C.	**Payables**	**94,379,615**	**74,059,981**
C.I.	***Long-term payables***	**64,006,875**	**52,678,650**
C.I.1.	*Bonds issued*	**1,446,900**	1,491,600
C.I.1.2.	Other bonds	1,446,900	1,491,600
C.I.2.	Payables to credit institutions	42,976,975	36,544,200
C.I.5.	Long-term bills of exchange to be paid		190,355
C.I.6.	Payables – controlled or controlling entity	19,546,000	13,831,206
C.I.9.	*Payables – other*	**37,000**	**621,289**
C.I.9.3.	Sundry payables	37,000	621,289
C.II.	***Short-term payables***	**30,372,740**	**21,381,331**
C.II.1.	*Bonds issued*	**19,785**	**1,137,637**
C.II.1.2.	Other bonds	19,785	1,137,637
C.II.2.	Payables to credit institutions	7,364,177	7,232,001
C.II.4.	Trade payables	153,877	77,635
C.II.5.	Short-term bills of exchange to be paid	5,133,522	872,155
C.II.6.	Payables – controlled or controlling entity	17,612,531	11,687,327
C.II.8.	*Other payables*	**88,848**	**374,576**
C.II.8.3.	Payables to employees	7,462	3,710
C.II.8.4.	Social security and health insurance payables	2,050	1,032
C.II.8.5.	State – tax payables and subsidies	1,440	738
C.II.8.6.	Estimated payables	9,654	19,696
C.II.8.7.	Sundry payables	68,242	349,400
D.	**Other liabilities**	**638**	**756**
D.1.	Accrued expenses	638	756

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 31.12.2022
(in CZK thousand)

		Year ended 31.12.2022	Year ended 31.12.2021
I.	Sales of products and services	115,066	51,684
A.	Purchased consumables and services	459,631	388,934
A.2.	Consumed material and energy	2,111	1,258
A.3.	Services	457,520	387,676
B.	Change in internally produced inventory (+/-)	5,194	-22,053
D.	Staff costs	216,926	107,867
D.1.	Payroll costs	180,239	88,164
D.2.	Social security and health insurance costs and other charges	36,687	19,703
D.2.1.	Social security and health insurance costs	36,643	19,679
D.2.2.	Other charges	44	24
E.	Adjustments to values in operating activities	333	393
E.1.	Adjustments to values of intangible and tangible fixed assets	333	393
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	333	393
III.	Other operating income	1,026,285	553,072
III.3.	Sundry operating income	1,026,285	553,072
F.	Other operating expenses	1,098,505	557,904
F.3.	Taxes and charges	76	12
F.4.	Provisions relating to operating activities and complex deferred expenses	7	781
F.5.	Sundry operating expenses	1,098,422	557,111
*	**Operating loss (+/-)**	**-639,238**	**-428,289**
IV.	Income from non-current financial assets – equity investments	10,982,192	13,630,417
IV.1.	Income from equity investments – controlled or controlling entity	10,982,192	13,630,417
G.	Costs of equity investments sold	2,693,278	2,831,684
VI.	Interest income and similar income	894,263	370,588
VI.1.	Interest income and similar income – controlled or controlling entity	338,606	310,362
VI.2.	Other interest income and similar income	555,657	60,226
I.	Adjustments to values and provisions relating to financial activities		-6,832,023
J.	Interest expenses and similar expenses	2,306,140	1,187,909
J.1.	Interest expenses and similar expenses – controlled or controlling entity	968,415	654,749
J.2.	Other interest expenses and similar expenses	1,337,725	533,160
VII.	Other financial income	10,370,649	7,556,147
K.	Other financial expenses	7,243,605	10,090,882
*	**Financial profit or loss (+/-)**	**10,004,081**	**14,278,700**
**	**Profit before tax (+/-)**	**9,364,843**	**13,850,411**
L.	Income tax	605,791	340,453
L.1.	Current income tax	605,791	340,453
**	**Profit after tax (+/-)**	**8,759,052**	**13,509,958**
***	**Profit for the current period (+/-)**	**8,759,052**	**13,509,958**
*	Net turnover for the current period	23,388,455	22,161,908

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 31.12.2022
(in CZK thousand)

	Share capital	Gains or losses from the revaluation of assets	Accumulated profits brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2020	**4,000,000**	**-281,634**	**74,849,908**	**13,586,298**	**92,154,572**
Distribution of profit or loss			13,586,298	-13,586,298	
Dividend declared			-18,519,586		-18,519,586
Gains or losses from the revaluation of assets and liabilities		-63,162			-63,162
Profit for the current period				13,509,958	13,509,958
Rounding			-1		-1
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	
Dividend declared			-37,435,745		-37,435,745
Gains or losses from the revaluation of assets and liabilities		-124,261			-124,261
Profit for the current 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**

Cash Flow Statement

Energetický a průmyslový holding, a.s.
Corporate ID 283 56 250

Pařížská 130/26
Josefov
110 00 Praha 1

Year ended 31.12.2022
(in CZK thousand)

		Year ended 31.12.2021	Year ended 31.12.2020
P.	**Opening balance of cash and cash equivalents**	**5,795,456**	**3,423,465**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit from ordinary activities before tax	9,364,843	13,850,411
A.1.	Adjustments for non-cash transactions	-12,381,907	-14,322,972
A.1.1.	Depreciation of fixed assets	333	393
A.1.2.	Change in provisions and reserves		-6,832,023
A.1.3.	Profit/(loss) on the sale of fixed assets	-4,947,722	2,382,751
A.1.4.	Revenues from profit shares	-3,341,192	-13,181,484
A.1.5.	Interest expense and interest income	1,411,877	817,321
A.1.6.	Adjustments for other non-cash transactions	-5,505,203	2,490,070
A.*	**Net operating cash flow before changes in working capital**	**-3,017,064**	**-472,561**
A.2.	Change in working capital	-1,504,502	-263,694
A.2.1.	Change in operating receivables and other assets	-1,281,754	-236,194
A.2.2.	Change in operating payables and other liabilities	-227,942	-27,699
A.2.3.	Change in inventories	5,194	199
A.**	**Net cash flow from operations before tax**	**-4,521,566**	**-736,255**
A.3.	Interest paid	-1,929,568	-1,169,508
A.4.	Interest received	444,230	76,508
A.5.	Income tax paid from ordinary operations	-80,291	-213,875
A.***	**Net operating cash flows**	**-6,087,195**	**-2,043,130**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-1,593,984	-2,552,125
B.2.	Proceeds from fixed assets sold		376,885
B.3.	Loans and borrowings to related parties	5,556,734	-25,060,573
	Received profit shares	3,339,105	978,424
B.***	**Net investment cash flows**	**7,301,855**	**-26,257,389**
	Cash flow from financial activities		
C.1.	Change in payables from financing	23,144,685	49,192,096
C.2.	Impact of changes in equity	-25,274,358	-18,519,586
C.2.6.	Dividend paid	-25,274,358	-18,519,586
C.***	**Net financial cash flows**	**-2,129,673**	**30,672,510**
F.	**Net increase or decrease in cash and cash equivalents**	**-915,013**	**2,371,991**
R.	**Closing balance of cash and cash equivalents**	**4,880,443**	**5,795,456**

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S.

Year ended 31 December 2022
(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 2022 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 2022

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 2022 for the 2022 calendar year ("the year" or "the accounting period").

All amounts are shown in thousands of Czech crowns ("CZK thousand"), unless stated otherwise.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2022
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

A TANGIBLE AND INTANGIBLE FIXED ASSETS

VALUATION METHOD

Purchased fixed assets are measured at prices pursuant to Section 47 of Decree No. 500/2002. 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).

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(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).

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 reserve 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 2022 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.

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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 2023. 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 2022 that would be 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 31/12/2022	Balance as of 31/12/2021
Cash on hand	105	22
Cash at bank	4,880,338	5,795,434
Total	**4,880,443**	**5,795,456**

Cash flows from operating, investing or financial activities presented in the cash flow statement are not off-set.

5. Non-current financial assets

AS OF 31 DECEMBER 2022 AND 31 DECEMBER 2021

Equity investments – controlled or controlling entity	Total profit (+) loss (-) for year 2022 (in thousands of CZK/EUR/PLN/RSD	Equity as of 31/12/2022 (in thousands of CZK/EUR/PLN/RSD)	Acquisition cost as of 31/12/2022 (in CZK thousand)	Acquisition cost as of 31/12/2021 (in CZK thousand)
Adconcretum real estate Ltd.*	-1,531 (RSD)	213,825 (RSD)	85,357	87,995
ABS PROPERTY LIMITED*	9,733 (CZK)	82,881 (CZK)	51,634	53,229
JTSD – Braunkohlebergbau GmbH*	15,026 (EUR)	74,979 (EUR)	376,233	387,856
EP Logistics International, a.s.*	55,596 (CZK)	173,781 (CZK)	68,070	68,070
EP Power Europe, a.s.*	4,062,497 (CZK)	36,515,406 (CZK)	19,818,168	17,986,021
EPIF Investments a.s.*	-891 (CZK)	91,060,721 (CZK)	91,059,000	91,059,000
EP Investment Advisors, s.r.o.*	15,876 (CZK)	292,542 (CZK)	291,000	291,000
Nadácia EPH*	- (EUR)	6 (EUR)	160	165
EPH Financing SK, a.s.	-5 (EUR)	452 (EUR)	728	751
EPH Financing CZ, a.s.	34 (CZK)	23,823 (CZK)	32,000	12,000
EP Slovakia B.V.*	-467 (EUR)	156,972 (EUR)	3,853,529	3,963,380
EPHCEI HoldCo a.s.*	-63 (CZK)	1,903 (CZK)	2,000	2,000
EP Real Estate, a.s.**	-	-	-	2,437,606
Total			**115,637,879**	**116,349,073**

Acquisition cost includes any provisions.
* Data derived from non-audited financial statements as of 31 December 2022.
** The Company was sold in 2022.

Except for JTSD – Braunkohlebergbau 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 impairment in the amount of CZK 146,000 thousand against a financial investment in EP Investment Advisors, s.r.o. (as of 31 December 2021: CZK 146,000 thousand).

REGISTERED OFFICES OF THE COMPANIES AS OF 31 DECEMBER 2022 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
JTSD Braunkohlebergbau 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 Real Estate, a.s., Partyzánská 1/7, Holešovice, 170 00 Praha 7, 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, Cukrová 2272/14, Bratislava – Staré Mesto, 811 08, Slovakia
EPH Financing SK, a.s., 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
EPHCEI HoldCo 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 2022, there were the following changes in non-current financial assets:

a) On 2 February 2022, the Company increased its shareholding in EP Slovakia B.V. in the form of an additional equity contribution of EUR 370 thousand (CZK 8,991 thousand).

b) On 5 April 2022, the Company increased its equity investment in EPH Financing CZ, a.s. in the form of an additional equity contribution of CZK 20,000 thousand.

c) On 3 August 2022, the Company increased its equity investment in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 36,288 thousand.

d) On 8 November 2022, the Company increased its equity investment in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 1,350,030 thousand.

e) On 15 December 2022, the Company increased its equity investment in EP Real Estate, a.s. in the form of an increase of the share capital by subscription of new certificated shares of CZK 600 thousand.

f) On 20 December 2022, the Company increased its equity investment in EP Real Estate, a.s. in the form of an additional equity contribution of CZK 255,072 thousand.

g) On 21 December 2022, the Company increased its equity investment in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 322,860 thousand.

h) On 22 December 2022, the Company increased its equity investment in EP Power Europe, a.s. in the form of an additional equity contribution of CZK 122,969 thousand.

i) On 22 December 2022, the Company sold its 44% equity investment in EP Real Estate, a.s. to J&T CAPITAL PARTNERS, a.s. and 56% equity investment to EP Corporate Group, a.s.

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 138,171 thousand (CZK 127,706 thousand as of 31 December 2021).

6. Long-term receivables

A RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

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**	

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Logistics International, a.s.	109,030	-	2027
EP Logistics International, a.s.	120,000	-	2023
EP Power Europe, a.s.	4,004,955	79,280	2024
EP Resources CZ a.s.	451,568	-	2023
Total	**4,685,553**	**79,280**	

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B RECEIVABLES – ASSOCIATES

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
Slovenské elektrárne, a.s.	2,444,658	48,579	2027
Total	**2,444,658**	**48,579**	

Outstanding interest as of 31 December 2022 is recognised as short-term under Short-term receivables, Receivables – associates.

C SUNDRY RECEIVABLES

Sundry receivables include other receivables from operating activities of CZK 7 thousand (2021: CZK 80,548 thousand) and receivables arising from positive fair values of derivatives of CZK 535,550 thousand described below (2021: CZK 0 thousand).

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**

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

7. Short-term receivables

A TRADE RECEIVABLES

Trade receivables amount to CZK 1,169,206 thousand (CZK 265,590 thousand as of 31 December 2021). 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 1,025,961 thousand (CZK 176,820 thousand as of 31 December 2021).

B RECEIVABLES – CONTROLLED AND CONTROLLING ENTITY

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**

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest
ABS PROPERTY LIMITED	73,031	-
Adconcretum real estate Ltd.	105	-
EP Corporate Group, a.s.	24,875	505
EP Logistics International, a.s.	109,384	13
EP Power Europe, a.s.	31,682,657	38,784
EP Real Estate, a.s.	88,000	-
EP Resources AG	551,256	-
EP Resources CZ a.s.	54,080	1,183
EPH Financing CZ, a.s.	2,822	-
Total	**32,586,210**	**40,485**

C RECEIVABLES – ASSOCIATES

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date 2027
Slovenské elektrárne, a.s.	-*	48,579	
Total		**48,579**	

* The principal is presented under Long-term receivables, Receivables – associates, see Note 6(b) – as it is due in 2027.

D STATE – TAX RECEIVABLES

As of 31 December 2022, State – tax receivables include a receivable arising from value added tax of CZK 17,953 thousand (as of 31 December 2021: CZK 22,829 thousand) and, as of 31 December 2021, a receivable arising from income tax prepayments made of CZK 400,072 thousand which was reduced by an income tax provision of CZK 340,453 thousand in 2021.

E SUNDRY RECEIVABLES

Sundry receivables primarily include loans granted to non-related entities in the amount of CZK 523,883 thousand (CZK 502,971 thousand as of 31 December 2021), other receivables from operating activities in the amount of CZK 35,349 thousand (CZK 42,517 thousand as of 31 December 2021) and receivables arising from positive fair value of derivatives in the amount of CZK 244,387 thousand as stated below (CZK 332,559 thousand as of 31 December 2021).

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**

(All amounts are shown in thousands of Czech crowns, "CZK thousand")

31 DECEMBER 2021

(in CZK thousand)

Forward exchange contracts	Counterparty	Due date	Fair value
Currency swap	Bank no. 1	2022	12,384
Currency swap	Bank no. 2	2022	22,592
Currency forward	Bank no. 3	2022	100,025
Currency forward	Bank no. 4	2022	135,707
Currency forward	Bank no. 5	2022	20,440
Currency forward	Bank no. 6	2022	41,411
Total			**332,559**

F DEFERRED EXPENSES

As of 31 December 2022, deferred expenses mainly include deferred fees relating to bank loans of CZK 129,616 thousand (as of 31 December 2021: CZK 125,610 thousand).

8. Equity

As of 31 December 2022, the Company's share capital amounts to CZK 4,000,000 thousand; it comprises 4,000,000 pieces of ordinary registered shares in certificate 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 8 June 2022, the General Meeting of the Company decided to transfer the profit for the year 2021 to the retained earnings.

In June and December 2022, the General Meeting of the Company decided to declare the dividends to its shareholders in the amount of CZK 37,435,745 thousand, which were offset against the assigned receivable and against the sold equity investment described in Note 5(i); the remaining portion was paid in cash.

As of the date of approval of these financial statements, the proposal for distribution of the profit for the year 2022 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 2022, the Company did not acquire treasury shares or ownership interests.

9. Income tax provision

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 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**	

31 DECEMBER 2021

(in CZK thousand)

Bond	Principal	Outstanding interest	Due date
Bond no. 1	1,243,000	16,905	2025
Bond no. 2	248,600	3,491	2024
Total	**1,491,600**	**20,396**	

The bonds have no prospectus and are not listed in any public market.

Outstanding interest of CZK 19,785 thousand (as of 31 December 2021: CZK 20,396 thousand) is presented in short-term payables on the line 'Other bonds'.

(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

B PAYABLES TO CREDIT INSTITUTIONS

31 DECEMBER 2022

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	1,205,750	4,445	None	2025
Bank no. 6	2,411,500	3,692	None *	2026
Bank no. 7	1,205,750	6,924	None *	2024
Bank no. 9	2,411,500	3,778	None *	2024
Bank no. 10	24,115,000	106,978	None *	2024
Bank no. 11	3,617,250	5,175	None *	2024
Bank no. 12	6,201,600	33,552	None *	2024
Bank no. 13	1,808,625	6,426	None *	2025
Total	**42,976,975**	**170,970**		

* Procedurally secured with a blank bill.

As of 31 December 2022, outstanding interest of CZK 170,970 thousand is presented in short-term payables to credit institutions.

31 DECEMBER 2021

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	1,740,200	3,211	None	2023, 2025
Bank no. 6	2,486,000	345	None *	2026
Bank no. 7	1,243,000	3,227	None *	2024
Bank no. 9	2,486,000	514	None *	2024
Bank no. 10	24,860,000	23,486	None *	2024
Bank no. 11	3,729,000	2,952	None*	2024
Total	**36,544,200**	**33,735**		

* Procedurally secured with a blank bill.

As of 31 December 2021, outstanding interest of CZK 33,735 thousand is presented in short-term payables to credit institutions.

C LONG-TERM BILLS OF EXCHANGE TO BE PAID

As of 31 December 2022, the Company does not record any long-term bills of exchange to be paid.

31 DECEMBER 2021

(in CZK thousand)

	Nominal value	Interest
Bills maturing in 2023	181,300	9,055
Total	**181,300**	**9,055**

D PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EP Produzione S.p.A.	9,646,000	96,259	2025
EPH Financing CZ, a.s.	7,500,000	96,563	2025
EPH Financing CZ, a.s.	2,400,000	70,400	2027
Total	**19,546,000**	**263,222**	

31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest	Due date
EPH Financing CZ, a.s.	7,500,000	96,563	2025
EP FRANCE	4,350,500	10,072	2023
EP Power Europe, a.s.	1,980,706	179	2023
Total	**13,831,206**	**106,814**	

The outstanding interest as of 31 December 2022 and 31 December 2021 is presented in ‘Short-term payables – controlled or controlling entity’.

(All amounts are shown in thousands of Czech crowns, “CZK thousand”)

E SUNDRY PAYABLES

As of 31 December 2022, long-term sundry payables include a financial borrowing in the amount of CZK 37,000 thousand (as of 31 December 2021: CZK 410,000 thousand), which is due in 2024. As of 31 December 2021, long-term sundry payables include liabilities arising from the fair value of derivatives in the amount of CZK 211,289 thousand.

31 DECEMBER 2021

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2025	81,404
Currency forward	Bank no. 2	2025	129,885
Total			**211,289**

11. Short-term payables

A OTHER BONDS

As of 31 December 2022, Other bonds only include the accrued interest (see table below), the principal of which is reported in other long-term bonds. As of 31 December 2021, Other bonds include the principal of CZK 1,106,270 thousand and the relevant accrued interest (see the table below) and accrued interest on long-term bonds of CZK 20,396 thousand.

31 DECEMBER 2022

(in CZK thousand)

Bonds	Principal	Accrued interest	Maturity
Bond 1	-*	16,398	2025
Bond 2	-*	3,387	2024
Total		**19,785**	

* The principals are presented under long-term payables – other bonds, see Note 11 (a).

31 DECEMBER 2021

(in CZK thousand)

Bonds	Principal	Accrued interest	Maturity
Bond 2	1,106,270	10,971	2023*
Total	**1,106,270**	**10,971**	

* Classified as short-term payables due to an option that may be exercised in 2022.

The bonds do not have a prospectus and are not listed on any public market.

B PAYABLES TO CREDIT INSTITUTIONS

31 DECEMBER 2022

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 2	482,300	1,236	None	2023
Bank no. 10	3,858,400	2,755	None	2023
Bank no. 15	434,070	2,199	None	2023
Bank no. 16	2,411,500	747	None	2023
Total	**7,186,270**	**6,937**		

* Loan from bank no. 10 has been classified as short term due to an option for early repayment that the bank may utilize once a year.

31 DECEMBER 2021

(in CZK thousand)

Bank	Principal	Interest	Form of security	Due date
Bank no. 1	497,200	3,266	None	2022
Bank no. 8	1,350,000	-	None	2024*
Bank no. 12	3,727,710	4,190	None	2022
Bank no. 14	1,615,900	-	None	2022
Total	**7,190,810**	**7,456**		

* Loan from bank no. 8 has been classified as short term due to an option for early repayment that the bank may utilize once a year.

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**

31 DECEMBER 2021

(in CZK thousand)

Bill holder	Nominal value	Interest
Bills maturing in 2022	852,852	19,303
Total	**852,852**	**19,303**

E PAYABLES – CONTROLLED OR CONTROLLING ENTITY

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' (see Note 10(d)).

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31 DECEMBER 2021

(in CZK thousand)

Counterparty	Principal	Outstanding interest
EP Commodities, a.s.	7,333,700	301
EP FRANCE	-*	10,072
EP Investment Advisors, s.r.o.	44,003	7
EP Mehrum GmbH	1,672,188	87
EP Power Europe, a.s.	-*	179
EPH Financing CZ, a.s.	10,000	900
EPH Financing CZ, a.s.	2,468,346	32,258
EPH Financing CZ, a.s.	-*	96,563
EPH Financing SK, a.s.	11,160	45
EPIF Investments a.s.	-	7,518
Total	**11,539,397**	**147,930**

* The amounts of loan principal are presented in 'Long-term payables – controlled or controlling entity' (see Note 10(d)).

F ESTIMATED PAYABLES

Estimated payables primarily include non-invoiced expenses from the insurance company in the amount of CZK 8,617 thousand (CZK 11,118 thousand as of 31 December 2021).

G SUNDRY PAYABLES

As of 31 December 2022, sundry short-term payables primarily include the liabilities arising from fair value of derivatives in the amount of CZK 67,785 thousand (CZK 183,865 thousand as of 31 December 2021) and a financial borrowing of CZK 159,440 thousand as of 31 December 2021.

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**

31 DECEMBER 2021

(in CZK thousand)

Forward exchange contract	Counterparty	Due date	Fair value
Currency forward	Bank no. 1	2022	41,188
Currency forward	Bank no. 2	2022	90,509
Currency forward	Bank no. 3	2022	52,168
Total			**183,865**

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, legal and advisory services and travel expenses.

Sundry operating income and sundry operating expenses are formed by revenues and expenses from re-invoicing.

As of 31 December 2022, income from equity investments – controlled or controlling entity includes the revenues from the dividend declared by EPIF Investments a.s. in the amount of CZK 7,518 thousand, EP Power Europe, a.s. in the amount of CZK 3,333,674 thousand and revenues from the sale of equity investments (see Note 5) in the amount of CZK 7,641,000 thousand.

As of 31 December 2021, income from equity investments – controlled or controlling entity includes the revenues from the dividend declared by EPIF Investments, a.s. in the amount of CZK 10,367,576 thousand, EP Power Europe, a.s. in the amount of CZK 2,812,631 thousand, SEDILAS ENTERPRISES LIMITED in the amount of CZK 1,277 thousand and revenues from the sale of equity investments in the amount of CZK 448,933 thousand.

Adjustments to values and provisions relating to financial activities in 2021 represented provisions to equity investments and receivables; in 2022, these were not represented.

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.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)
Energetický a průmyslový holding, a.s.
Year ended 31 December 2022
(All amounts are shown in thousands of Czech crowns, "CZK thousand")

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 revenues/incomes 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:

(in CZK thousand)

	Revenues 2022	Expenses 2022	Revenues 2021	Expenses 2021
Interest income / expenses	410,195	-	24,774	115
Other operating income / expenses	-	-	-	-
Other financial income / expenses	571,868	2	3,218	-
Total	**982,063**	**2**	**27,992**	**115**

14. Employees and executives

As of 31 December 2022, the Company had 52 employees (31 employees in 2021). 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 2022.

16. Income tax

A CURRENT TAX

In 2022, the Company created a provision of CZK 629,501 thousand (2021: CZK 340,453 thousand).

The amount of CZK 605,791 thousand represents the difference between income tax liability for 2021 and the release of the provison created as of 31 December 2021. The additional tax return for 2019 of CZK 10,500 thousand was settled.

17. Significant off-balance sheet transactions

The Company has received commitments from bank institutions of up to CZK 8,300,988 thousand (CZK 28,528 thousand as of 31 December 2021).

The Company recognises receivables in the amount of CZK 21,513,865 thousand (CZK 42,958,343 thousand as of 31 December 2021) and payables in the amount of CZK 21,177,494 thousand (CZK 42,717,413 thousand as of 31 December 2021) related to currency derivatives presented in off-balance sheet accounts.

The Company guarantees all liabilities related to bonds issued by EPH Financing CZ, a.s. The bonds issued as of 31 December 2022 amounted to CZK 9,900,000 thousand (CZK 10,101,000 thousand as of 31 December 2021).

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 173,728,661 thousand (CZK 60,543,678 thousand as of 31 December 2021) in favour of third-party beneficiaries.

18. Material subsequent event

The Company’s management is not aware of any significant subsequent events that might have an impact on the financial statements for the year ended 31 December 2022.Apart from the events described above and in other notes to these financial statements, the Company’s management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as of 31 December 2021.

Prepared on: 31 March 2023

JUDr. Daniel Křetínský
Chairman of the Board of Directors

Mgr. Pavel Horský
Member of the Board of Directors