EP Power Europe

2022 Annual Report

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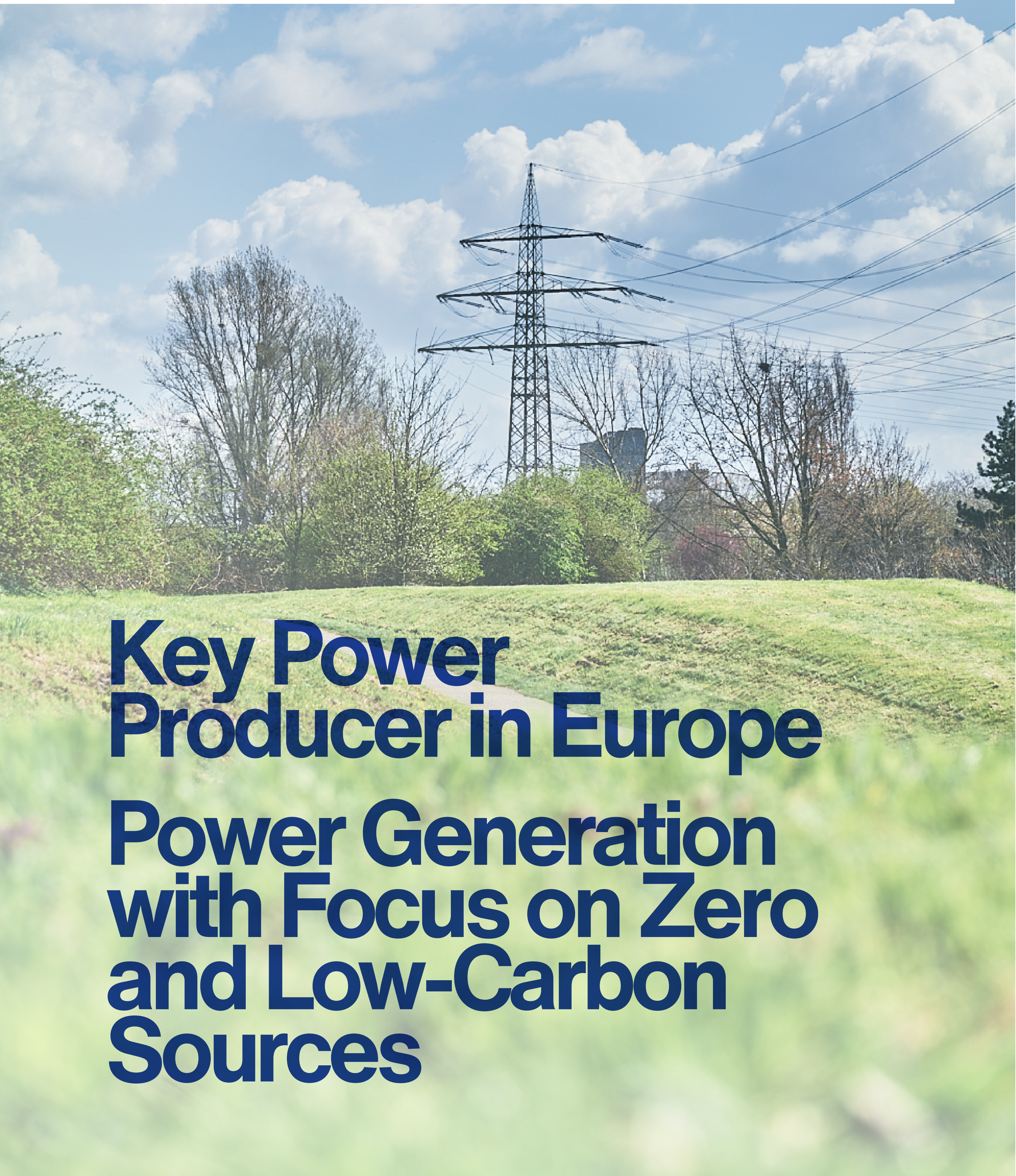


Key Power Producer in Europe

Power Generation with Focus on Zero and Low-Carbon Sources

EP Power Europe

Consolidated annual report for the year 2022

Annual Report 2022

Content

EUR 2,918 million

» The consolidated EBITDA of the Group reached EUR 2,918 million, and consolidated Free Cash Flow amounted to EUR 2,191 million, a significant increase compared to last year.

Financial Highlights of the Year

Financial and Operational Highlights of the Year

		2022	2021 restated*	2020 restated*
INCOME STATEMENT				
Revenues	€ million	33,608	16,452	5,378
Gross profit[1]	€ million	5,392	2,549	1,597
Earnings before interest, taxes, depreciation and amortization (Underlying EBITDA)	€ million	2,918	984	525
Earnings before interest and tax (EBIT)[2]	€ million	2,564	673	227
Net financial expense	€ million	(130)	(47)	(26)
Profit before income tax	€ million	3,234	565	304
Profit for the year	€ million	2,638	523	250
BALANCE SHEET				
Total assets	€ million	18,849	14,431	6,185
Equity total	€ million	4,780	2,200	1,603
Net working capital[3]	€ million	1,793	2,218	393
Net financial debt[4]	€ million	206	237	451
Net financial debt[4] (excl. loans and borrowings provided by EPH[5])	€ million	(881)	(1,217)	46
CASH FLOW STATEMENT				
Cash flow from operating activities	€ million	3,005	891	783
Cash flow from investing activities	€ million	(2,856)	(594)	(464)
Cash flow from financing activities	€ million	(650)	876	(228)
Change in cash and cash equivalents	€ million	(501)	1,173	91
Cash and cash equivalents	€ million	1,243	1,741	568
Capital expenditures (CAPEX)[6]	€ million	555	286	156
Income tax paid	€ million	172	138	33
Free Cash flow (FCF)[7]	€ million	2,191	560	336

		2022	2021 restated	2020 restated
RATIOS				
Net leverage[8]	×	0.1×	0.2×	0.9×
Net leverage[8] (excl. loans and borrowings provided by EPH[5])	×	(0.3)×	(1.2)×	<0.1×
Cash conversion[9]	%	75%	57%	64%
Operating KPIs				
Average number of employees	#	3,857	4,077	4,154
Net installed capacity[10]	MW	10,853	10,163	10,626
Net power production	TWh	34.4	37.3	34.7
Emissions intensity	t CO_2 /GWh	559	475	457

1 Grofit profit represents Revenues less Purchases and consumables
2 EBIT = Profit (loss) from operations
3 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
4 Net financial debt = Loans and borrowings + Issued bills of exchange – Cash and cash equivalents
5 Energetický a průmyslový holding, a.s. („EPH“) is a parent company of EP Power Europe, a.s.
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.

» Despite all the challenges we faced this year, I am pleased to state that the Group has displayed extreme resilience and stability and always responded timely and efficiently to the needs of customers, regulators, and governments.

Jan Špringl Vice-Chairman of the Board of Directors and Chief Executive Officer

Introduction by the Chairman of the Board of Directors

Dear Stakeholders,

It is my great pleasure to introduce you to the 2022 annual report of EP Power Europe, a.s. ("EPPE" or together with subsidiaries the "Group").

From the end of February 2022, it was clear to us that we were entering the most challenging year in the Group's history. Russia's invasion of Ukraine has not only triggered a humanitarian crisis unknown to Europe for decades but has also shaken the entire energy market, leading to unprecedented uncertainty and extreme volatility across all segments. In the summer, a substantial decline in availability of the French nuclear fleet and low water levels in European rivers further aggravated the energy supply situation across the continent.

The Group's focus and foremost objective has always been securing reliable power supply and delivery of other commodities to its partners and customers. Despite all the challenges we faced this year, I am pleased to state that the Group has displayed extreme resilience and stability and always responded timely and efficiently to the needs of customers, regulators and governments.

BUSINESS AND FINANCIAL PERFORMANCE, TAX CONTRIBUTIONS

With annual consolidated net power production of over 34 TWh, net installed capacity of 13.5 GW[1] and high power plant availability, EPPE has confirmed its pivotal role in the European electricity market. The consolidated EBITDA[2] of the Group reached EUR 2,918 million and consolidated Free Cash Flow[3] amounted to EUR 2,191 million. This is a significant increase compared to last year, driven mainly by the new business areas pursued by our trading companies and an increase in our traditional businesses. Investments in new projects are reflected in the total CAPEX of EUR 555 million, which is almost the double compared to last year. The Group continued to reduce its net indebtedness, reaching a historical low for consolidated Net Leverage[4] at 0.1×. For the year 2022, the Group companies are contributing a total of EUR 1,771 million in income taxes (including windfall taxes) or as consideration for CO_2 allowances to public budgets.

1 Pro forma for the Dutch acquisitions already closed or to be closed in 2023.
2 EBITDA has been prepared in accordance with the definition set out in note 33 to the consolidated financial statements.
3 Defined as EBITDA less CAPEX less Tax paid.
4 Defined as Net financial debt / EBITDA whereas Net financial debt represents Loans and borrowings less Cash and cash equivalents.

Introduction by the Chairman of the Board of Directors and CEO

NEW PROJECTS AND ACQUISITIONS

Despite the current challenging environment, the Group has been heavily investing in state-of-the-art power generation facilities. Projects already under construction and projects under consideration represent a total investment of approximately EUR 2.3 billion and a total installed capacity of 4.4 GW (plus additional 299 MW battery capacity), a record amount in the Group's history. The most important projects under construction are Tavazzano and Ostiglia gas power plants in Italy, with a capacity of 800 MW and 880 MW, respectively, and 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. All of these gas plants are hydrogen-ready.

We consider launching additional market-critical new-build gas development projects in the UK and Ireland, all of which are hydrogen-ready, highly efficient gas fired power plants flexible in generation and low in emissions. We continue to enhance our generation fleet with best-in-class environmentally friendly low-to-zero emission and hydrogen-ready power generation capacities. The primary goal of all our new-build projects is to increase security of supply and replace less environmentally friendly power sources in their respective regions, and all of them are backed by long-term capacity contracts.

All over its history, the Group has grown through well selected acquisitions, fitting its strategy and opening -up new energy markets, and we still keep on the look for new opportunities. Most recently, we acquired equity interests in two gas-fired power plants in the Netherlands with a total installed capacity of almost 1.7 GW, completed in January 2023. Two additional gas-fired power plant acquisition projects are expected to be completed soon, increasing our installed capacity in the Netherlands to 2.6 GW.

ENVIRONMENTAL COMMITMENTS

At EPPE, our ultimate mission is to support the energy transition in Europe. We do so by providing flexible and highly efficient zero or low-carbon power generation capacities to secure the stability of the electricity grid in hours when renewable power is not available.

Social responsibility in the transformation of carbon-intensive assets is another cornerstone of our strategy. We are mindful of our employees, the needs of regions and countries in which we operate, as well as of the requirement of, or rather the fundamental right to, affordability of power and other essential commodities and services for the general public.

In order to accomplish this strategy and to facilitate the transformation of coal regions in the most dedicated and efficient way, EPPE's sole shareholder (EPH) has decided to spin off its energy transition assets in EPPE Group into EP Energy Transition, the holding company of a newly established group which will be a sister company of EPH. EP Energy Transition group will consist of shareholdings mainly concentrated within LEAG and JTSD group. EP Energy Transition will focus on developing renewable energy projects with an estimated total installed capacity of 7 GW, replacing the existing network-critical power generation capacities by hydrogen-ready power plants and actively cooperating with relevant unions, regions, and governments to carry out the energy transition with minimum or no socially adverse impact. The total investment in these projects is currently estimated at around EUR 10 billion.

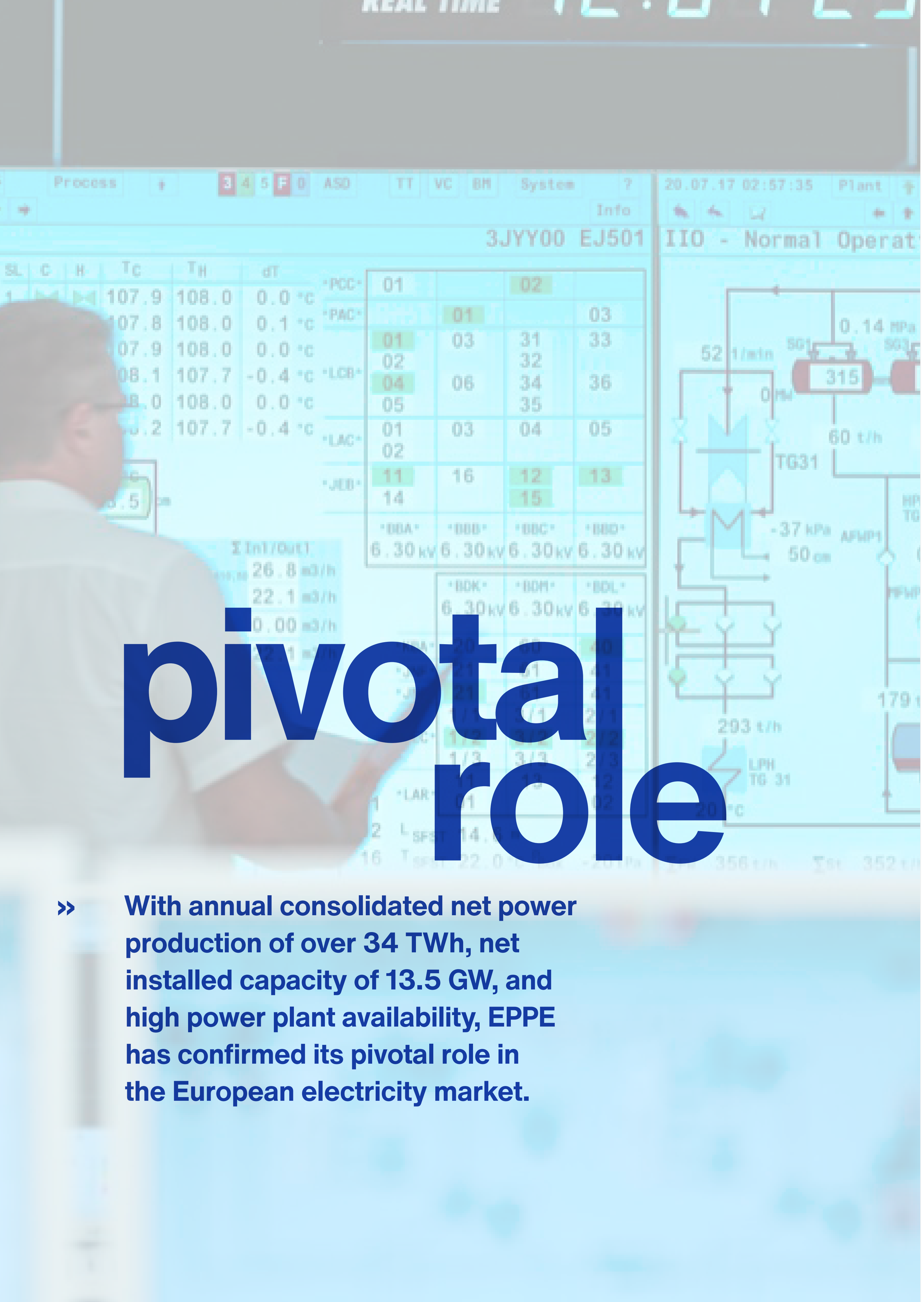
To conclude, the results achieved in 2022 reflect our previous work, the consistent implementation of our strategy and our increased presence in Western Europe through well-executed acquisition projects. All this has created a stable and resilient business model capable of facing and overcoming the challenges of the past year.

I would like to express my honest thanks and gratitude to all our employees for their commitment and hard work. 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 that countries, communities and individuals can rely on.

Sincerely.

Jan Špringl
Vice-Chairman of the Board of Directors and CEO

1 Combined Review of Operations



pivotal role

» **With annual consolidated net power production of over 34 TWh, net installed capacity of 13.5 GW, and high power plant availability, EPPE has confirmed its pivotal role in the European electricity market.**

1.1 Major events in 2022

ACQUISITIONS AND DISPOSALS

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.

SELECTED EVENTS THAT OCCURRED AFTER THE REPORTING DATE

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

On 25 January 2023, EPPE, 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, EPPE 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. In addition, two more power plants are being acquired in the Netherlands. Completion of this acquisition is subject to customary regulatory and anti-trust approvals. Expected closing is in H1 2023. Together with these two new acquisitions, the total installed capacity in the Netherlands shall be 2.6 GW.

EPPE 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 EPPE, 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 EPPE 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 POWER GENERATION ASSETS

EPPE Group consolidates 10.9 GW of net installed power capacity in Germany, the UK, Ireland, France, and Italy (10.2[9] 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 previously decommissioned 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). Further, the EPPE 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 EPPE will then be 13.5 GW.

KPI	Unit	2022	2021	2022-2021	%
Net installed capacity – Electricity – Total					
Germany	MW	1,628	938[10]	690	74%
France	MW	837	837	-	–%
Ireland	MW	384	384	-	–%
UK	MW	4,014	4,014	-	–%
Italy	MW	3,989	3,989	-	–%
Total	**MW**	**10,853**	**10,163**	**690**	**7%**

9 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.

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KPI	Unit	2022	2021	2022-2021	%
Net power production – Total					
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	**TWh**	**34.4**	**37.3**	**(2.9)**	**(8%)**

Significant power generation assets are owned by equity accounted investees. Companies belonging to this group disposed with 8.4 GW of net installed power capacity (8.8 GW in 2021) and generated 46.2 TWh of power (46.9 TWh in 2021). Major share of this is represented by LEAG Group.

SUSTAINABILITY PERFORMANCE

As a key energy player, EPPE 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. EPPE 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, EPPE shareholder 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 (until end of 2023) and JTSD group (until end of 2025). 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.

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

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)					
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	**million tons CO_2 eq.**	**19.4**	**17.9**	**1.6**	**9%**

KPI	Unit	2022	2021	2022-2021	%
Emission intensity – Including heat component					
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	**ton CO_2 eq./GWh**	**559**	**475**	**84**	**18%**

In 2022, the EPPE Group continued to be very active in the area of environmental protection and decarbonization of its operations. The companies within the EPPE 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 EPPE 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, EPPE 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 EPPE Group will continue to maintain its compliance with these environmental legislative requirements and with the future requirements as well.

ENVIRONMENTAL PROTECTION ACROSS THE EPPE GROUP

The ISO 14001 (certified Environmental Management System) certificate holders are 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 plants must 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.

EPPE 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 EPPE 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 H1 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, EPPE 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 EPPE'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:

- 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Throughout 2022, EPPE 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.

Operating some of key power generation assets in Europe, EPPE 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 EPPE 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 EPPE Group entities. These policies reflect our consciousness of immense responsibility for ESG issues by the EPPE 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 EPPE published its policies on its webs, so these are easily accessible to all stakeholders.

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

EPH has a dedicated HSE Committee in place (serves also for the EPPE Group) which is tasked with the following activities:

a) Provide the Board of Directors with a view on the adequacy and effectiveness of the EPPE 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 EPPE 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 Group act in line with the adopted ESG policies.

EMPLOYMENT RELATIONS AND EMPLOYEES

The main strengths and key focus of the EPPE Group is good relationship with employees and their loyalty. The EPPE Group maintain good and fair relations with the trade unions within the entities of EPPE 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 EPPE 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 EPPE Group.

EPPE 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 EPPE Group Procurement policy.

The management believes that the EPPE 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. EPPE Group also provides general training programs on employee safety and when selecting or assessing potential suppliers, the EPPE Group also considers their approach and attitude towards security issues.

EPPE employees are interested in overall EPPE 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 EPPE Group during 2022 was 3,857 (4,077 in 2021). Male employees covered for 83% of EPPE Group employees, slightly lower share compared with 2021 (84%).

KPI	Unit	2022	2021	2022-2021	%
Headcount					
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	**#**	**3,857**	**4,077**	**(219)**	**(5%)**

CORRUPTION AND BREACHES

EPPE 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 EPPE Group. In line with EPPE 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, EPPE has decided to formalise those into an overall policy applicable across the EPPE, including all subsidiaries.

EPPE 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 EPPE 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 EPPE adopted a Policy on Reporting of Serious Concerns. Similarly, also all our business partners are encouraged to raise concerns about any issue relating to EPPE or suspicion of violation of the EPPE Group Policies at the earliest possible stage.

The EPPE 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 EPPE Group largely implemented a EPPE 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

EPPE achieved impressive financial results for 2022. Results reflect positive market development on the revenue side, new business strategies as well as cautious approach towards expenses and risks.

REVENUES

Total revenues reached EUR 33,608 million (EUR 16,452 million in 2021). The increase is attributable to primarily to Flexible power generation segment which increased by EUR 16,839 million, or 109%, mostly as effect of significant increase in commodity prices, which similarly increased also Groups Purchases and consumables. The most significant effect was recorded by production entities in Italy, France, Germany and the UK and also by EPPE Group trading companies, especially EP Commodities, a.s. Renewable Energy segment increased by EUR 308 million, or 42%, primarily due to indexation of Contract for Difference and higher power prices on Lynemouth.

External Revenues	Unit	2022	2021 restated	2022-2021	%
Flexible Power Generation	million EUR	32,266	15,427	16,839	109%
Renewable Energy	million EUR	1,050	742	308	42%
EPPE Other	million EUR	292	283	9	3%
Total	**million EUR**	**33,608**	**16,452**	**17,156**	**104%**

UNDERLYING EBITDA

Underlying EBITDA reached EUR 2,918 million (EUR 984 million in 2021). Flexible Power Generation segment increased by EUR 1,742 million, or 246%, 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 162 million, or 76%, which relates mostly to Italian fleet of biomass power plants due to higher market spreads.

Underlying EBITDA	Unit	2022	2021 restated	2022-2021	%
Flexible Power Generation	million EUR	2,451	709	1,742	246%
Renewable Energy	million EUR	375	213	162	76%
EPPE Other	million EUR	92	62	30	48%
Total	**million EUR**	**2,918**	**984**	**1,934**	**196%**

CAPEX

CAPEX reached EUR 555 million (EUR 286 million in 2021). The 94% 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	%
Flexible Power Generation	million EUR	467	250	217	87%
Renewable Energy	million EUR	58	15	43	287%
EPPE Other	million EUR	30	21	9	43%
Total	**million EUR**	**555**	**286**	**269**	**94%**

NET FINANCIAL DEBT, LEVERAGE AND CASH CONVERSION

The EPPE Group's financial health is strong due to its conservative funding strategy and low leverage. Net financial debt stood at EUR 206 million at the end of 2022 (EUR 237 million in 2021). Excluding debt of EUR 1,087 million (EUR 1,454 million in 2021) provided by the parent company of EPPE, the net financial debt stood at EUR (881) million (EUR (1,217) million in 2021).

Net leverage (excluding debts to parent company) stood at (0.3)× in 2022 as compared to (1.2)× in 2021, which is driven by 197% increase of EBITDA thanks to EPPE Group's operational performance. The total Net leverage (including debt to parent company) decreased to 0.1× (from 0.2× in 2021).

Net financial debt and Leverage	Unit	2022	2021	2022-2021	%
Loans and borrowings	million EUR	1,449	1,978	(529)	(27)%
out of which: loans and borrowings provided by EPH	*million EUR*	*1,087*	*1,454*	*(367)*	*(25)%*
Less Cash and cash equivalents	million EUR	1,243	1,741	(498)	(29)%
Net financial debt	**million EUR**	**206**	**237**	**(31)**	**(13)%**
Net financial debt (excl. loans and borrowings provided by EPH)	**million EUR**	**(881)**	**(1,217)**	**336**	**28%**
Underlying EBITDA	million EUR	2,918	984	1,934	197%
Net leverage	**×**	**0.1×**	**0.2×**	**(0.2)×**	**(71)%**
Net leverage (excl. loans and borrowings provided by EPH)	**×**	**(0.3)×**	**(1.2)×**	**0.9×**	**(76)%**

Cash conversion was 75.09% (56.91% 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 EPPE Group in terms of leverage within the industry peer group.

Cash conversion	Unit	2022	2021 restated	2022-2021	%
Underlying EBITDA	million EUR	2,918	984	1,934	197%
CAPEX	million EUR	(555)	(286)	(269)	94%
Tax paid	million EUR	(172)	(138)	(34)	25%
Cash conversion	**%**	**75.09%**	**56.91%**	**18.18%**	**-**

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 EPPE 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.

BRANCHES

The EPPE Group has the following organizational units abroad:

- EP COMMODITIES A.S. LONDON BRANCH located in the United Kingdom;
- EP Commodities, a.s., Prag, Zweigniederlassung Zug located in Switzerland;

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2022, the EPPE 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, EPPE Group did not acquire any own shares or ownership interests within the EPPE Group.

RISKS AND RISK MANAGEMENT POLICIES

The EPPE 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 where EPPE Group has been included. EPH plans to issue its Sustainability report for 2022 during Q2 2023, EPPE Group will be included. The Sustainability report covers a wide spectrum of economic, environmental, social and governance related topics and enables 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, which has direct impact on EPPE Group.

OUTLOOK FOR 2023

Even though this Annual Report is issued at difficult times in the light of the current war in Ukraine and continued coronavirus pandemic where both events have been posing great challenges for many aspects of our society including business matters of the EPPE Group, the Group management plans to continue developing its central business activities in the EPPE Group. The main objectives remain the same: guaranteeing the health, safety and well-being of the EPPE Group's employees, which remains the EPPE Group's top priority, and safeguarding the continuity of the essential energy security service in the countries where the EPPE Group operates.

EPPE Group believes its medium- to long-term market position stays resilient, primarily as i) the EPPE Group operates the critical infrastructure in power generation, and ii) part of operated assets are regulated or semi-regulated and/or long-term contracted with high quality counterparties. At the same time, EPPE Group maintains robust counterparty and liquidity risk management system which underpins EPPE 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.

IMF estimates 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.

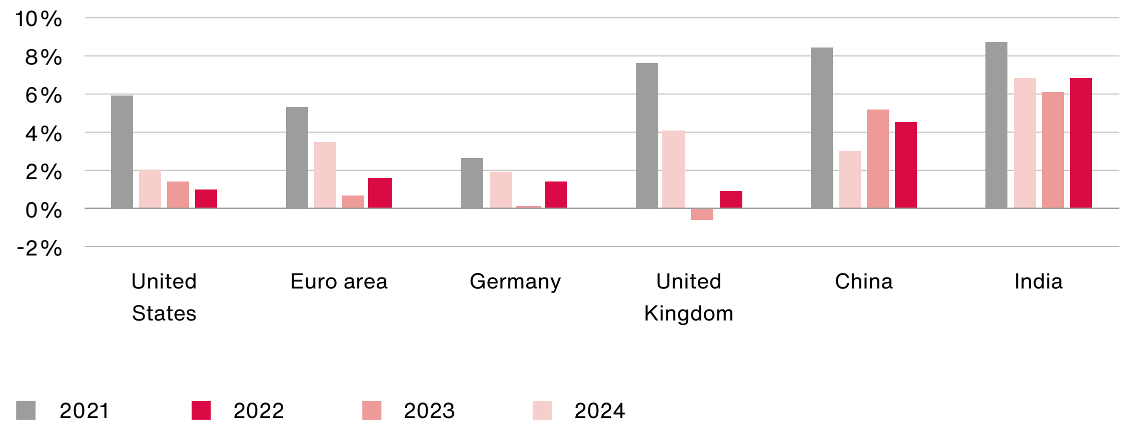


Figure 1: IMF growth projections. Source: IMF, World Economic Outlook, January 2023 Update

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 the first four months of 2023 continued their downward trajectory amid high stocks, soft demand, and continued high LNG imports. TTF day-ahead prices fell from around 70 EUR/MWh at the beginning of the year to around 40 EUR/MWh at the end of April 2023. Forward prices have fallen in a similar fashion, with the front-year TTF contract trading at around 54 EUR/MWh in late April compared to 78 EUR/MWh at the beginning of the year.

LNG deliveries into the Northwest European and Italian markets reached around 21 Mt in Q1 23, which constitutes a 3 Mt year-on-year (16%) growth. Demand in Asia remained subdued on high LNG stocks and a generally mild winter while Chinese demand was still soft as the economy gradually reopened, allowing Europe to maintain strong LNG imports and drive further downside for prices. Demand over the same period across Northwest Europe and Italy remained weak owing to a combination of mild weather spells and structurally higher prices curtailing gas use. Demand dropped 19% against the 2017–2021 average, after it had fallen 8% versus the same average in the first three months of 2022.

Electricity demand underperformance, mild weather, and the selloff in gas have driven French and German power spot prices in early 2023 to their lowest sustained levels since the third quarter of 2021. 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 drove significant price volatility in March. EDF discovered cracks at previously repaired welds at one French nuclear reactor, as well as other cracks related to thermal fatigue in two other French reactors. Market fears over lower-than-anticipated nuclear generation spilled over to other commodities. TTF year-ahead prices rallied 14% day on day on 10 March, with the structure of the TTF forward curve adjusting over the following weeks to price in a higher risk premium into winter 2023 and Cal-24 prices relative to near-curve prices, which remained under pressure from sluggish demand and high LNG imports. As a result, the TTF Q3-23 x Q1-24 spread widened significantly from around -9 EUR/MWh at the end of March to approximately -19 EUR/MWh at the end of April.

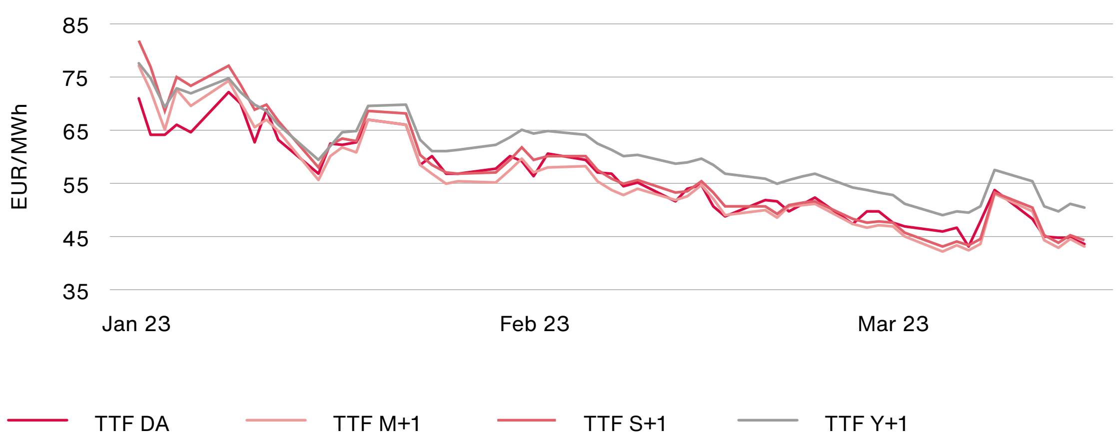


Figure 2: TTF spot and forward prices over 2023.

Source: PEGAS, ICE, EPC UK

On 25 April, French nuclear regulatory ASN announced that it would not seek any amendments to EDF's proposed revised maintenance schedule incorporating checks for cracks on previously repaired welds and pipes prone to thermal fatigue. At the same time, French utility EDF reiterated that its nuclear output target of 300–330 TWh for this year remained unchanged, allowing some risk to come out of French winter 2023 power prices. Q4-23 French baseload prices fell from around 270 EUR/MWh to 230 EUR/MWh on 25 April, while Q1-24 prices showed similarly strong declines from 350 EUR/MWh to 300 EUR/MWh. While the announcement from ASN has lowered the likelihood of regulatory risks curtailing French nuclear output, operational risks remain that could see prolonged shutdowns of reactors. As a result, gas and power prices are likely to remain volatile and can spike on any news that can affect French nuclear output. Any significant downward revision on French nuclear generation would tighten the gas market and could require prices to move higher up the coal-to-gas fuel switching range to displace more gas from the power sector this year.

More generally, while unlikely to reach the heights of 2022, price volatility will likely remain a dominant feature of European gas and power 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.

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.

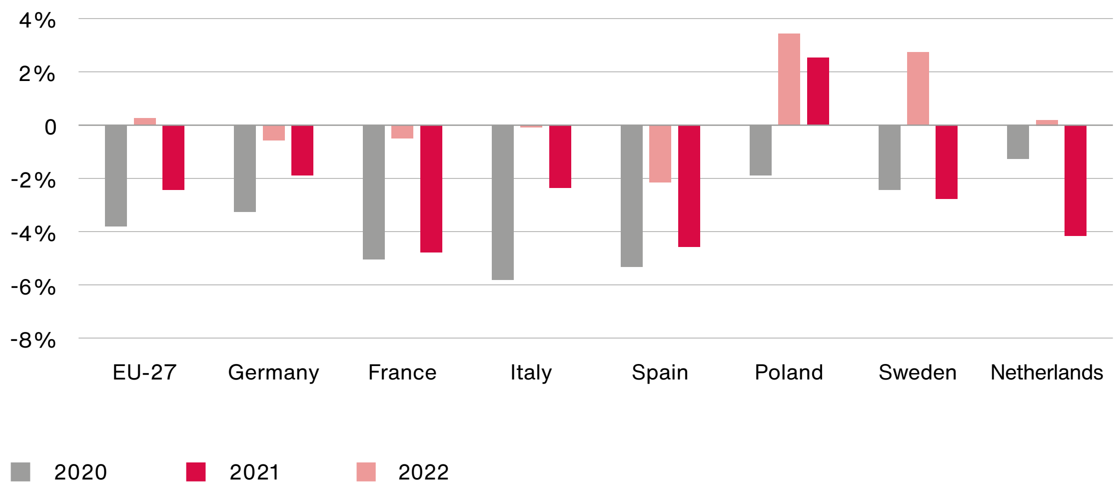


Figure 3: Changes in power demand relative to 2019.

Source: Ember European Electricity Review 2023

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.

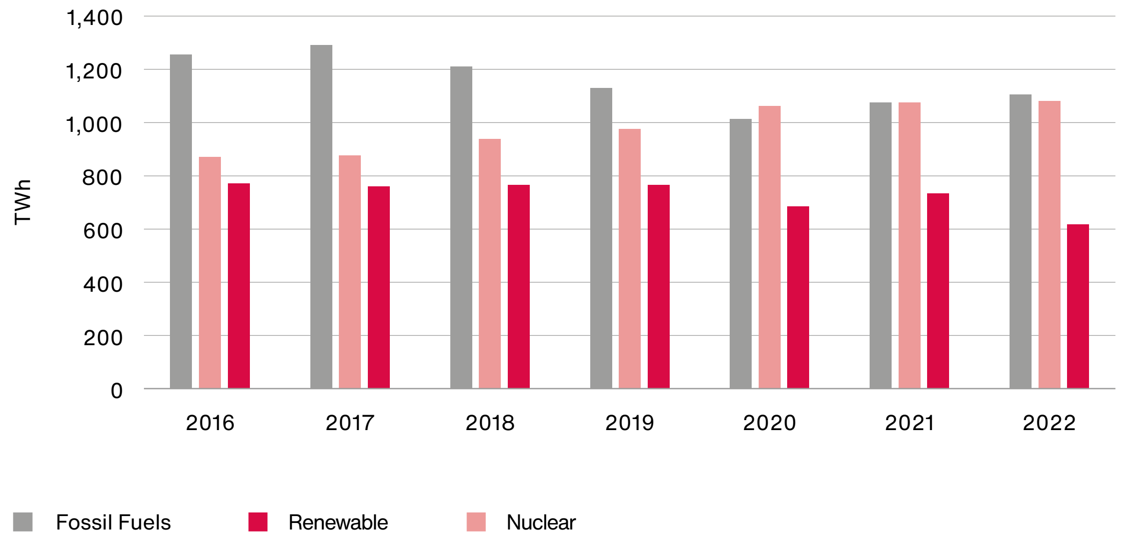


Figure 4: Power production per source type in EU-27 in TWh.

Source: Ember European Electricity Review 2023

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.

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 2022. In addition to wholesale prices gradually passing through to households, public awareness campaigns promoting energy-saving measures also prompted European households to adjust

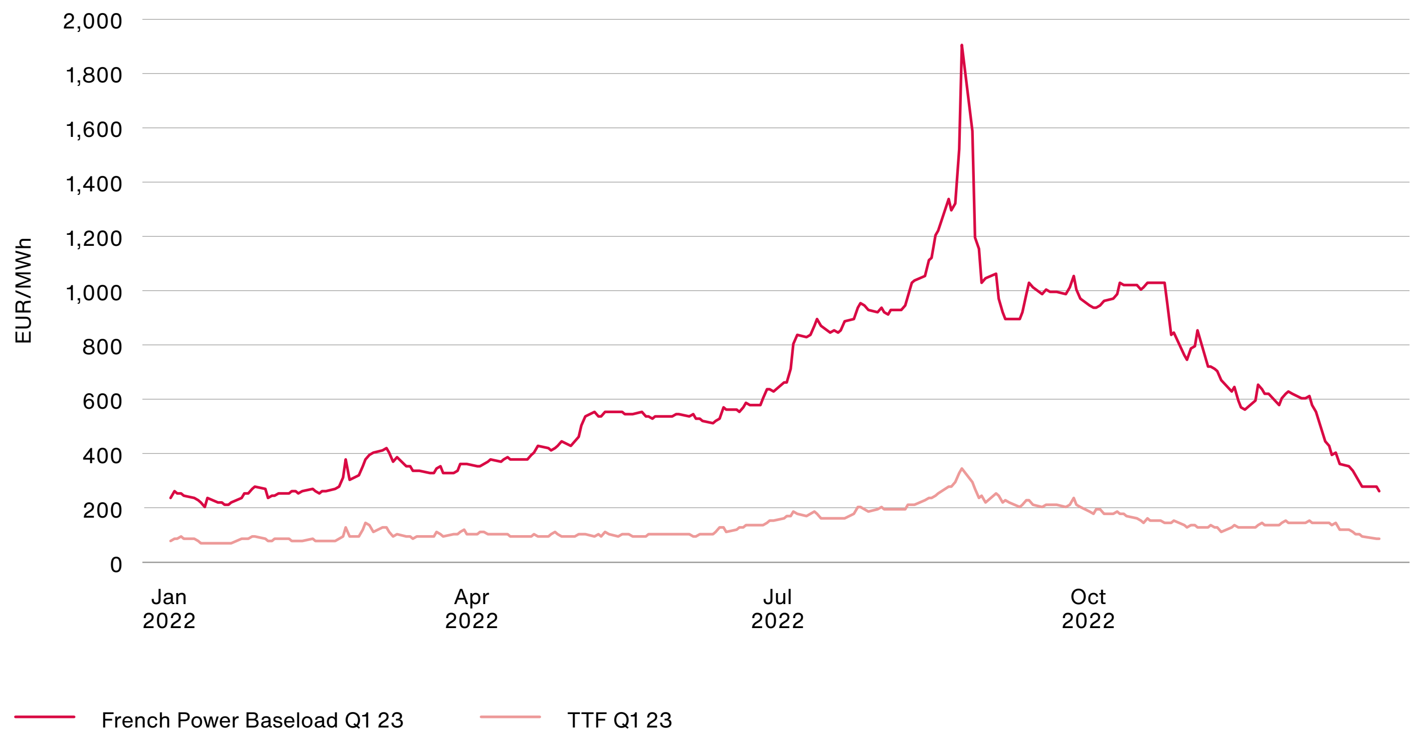


Figure 5: French Q1 23 baseload contract versus Q1 23 TTF contract.

Source: EEX, ICE

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.

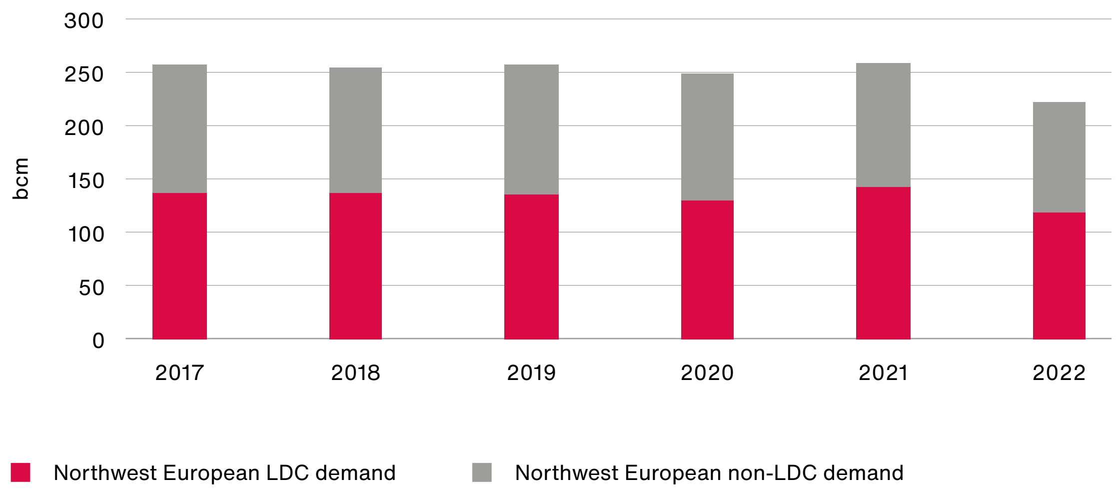


Figure 6: Northwest European gas demand by type.

Source: ENTSOG, Transmission system operators

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.

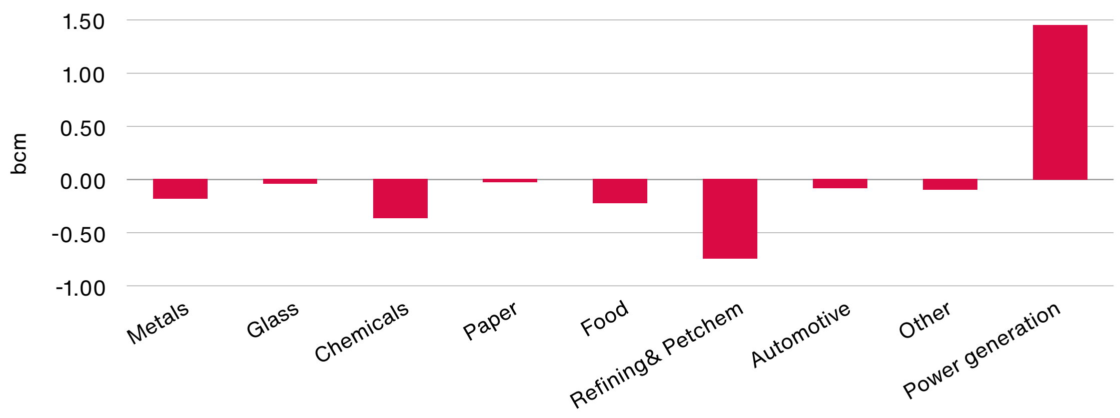


Figure 7: Decrement of French industrial and power-sector gas demand in 2022 versus the 2017–2021 average

Source: GRTgaz, EP Commodities

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 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.

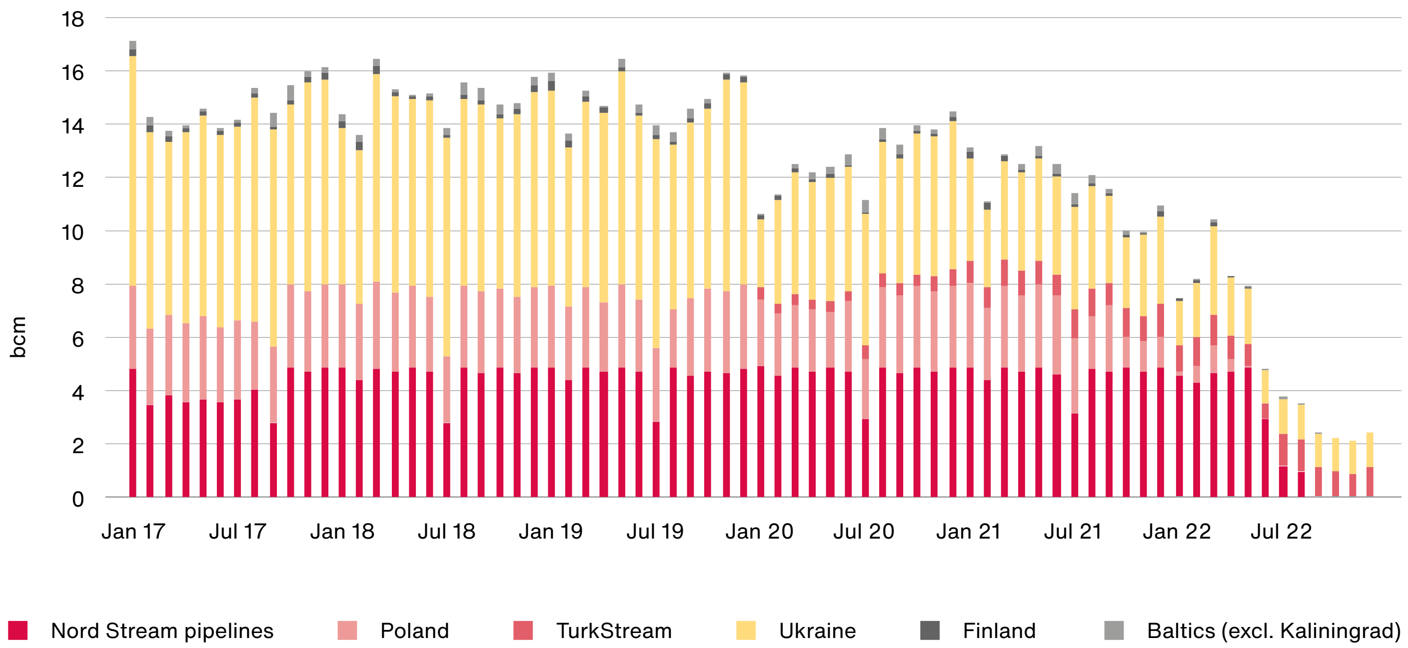


Figure 8: Russian pipeline exports to Europe by transit route.

Source: ENTSOG, GTSOU

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

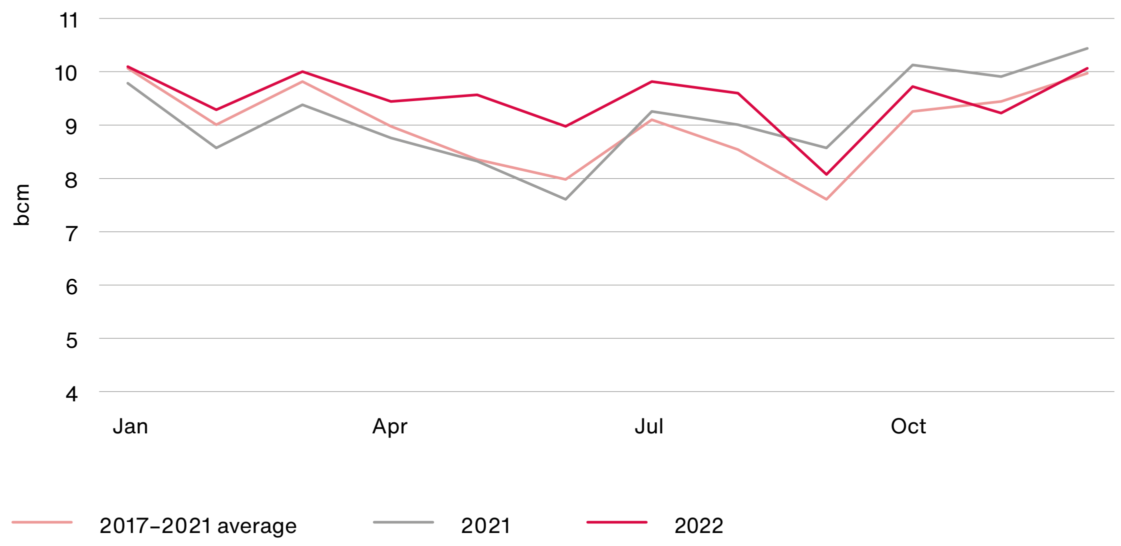


Figure 9: Norwegian gas pipeline exports to Europe.

Source: Gassco

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 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.

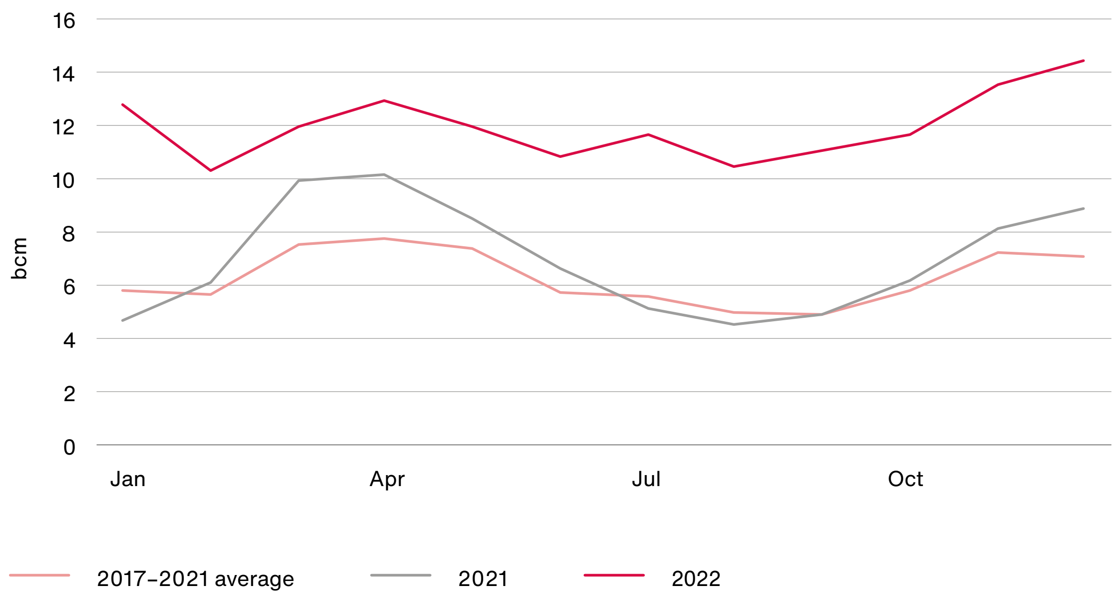


Figure 10: European LNG sendout.

Source: ENTSOG, Transmission System Operators

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.

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 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%.

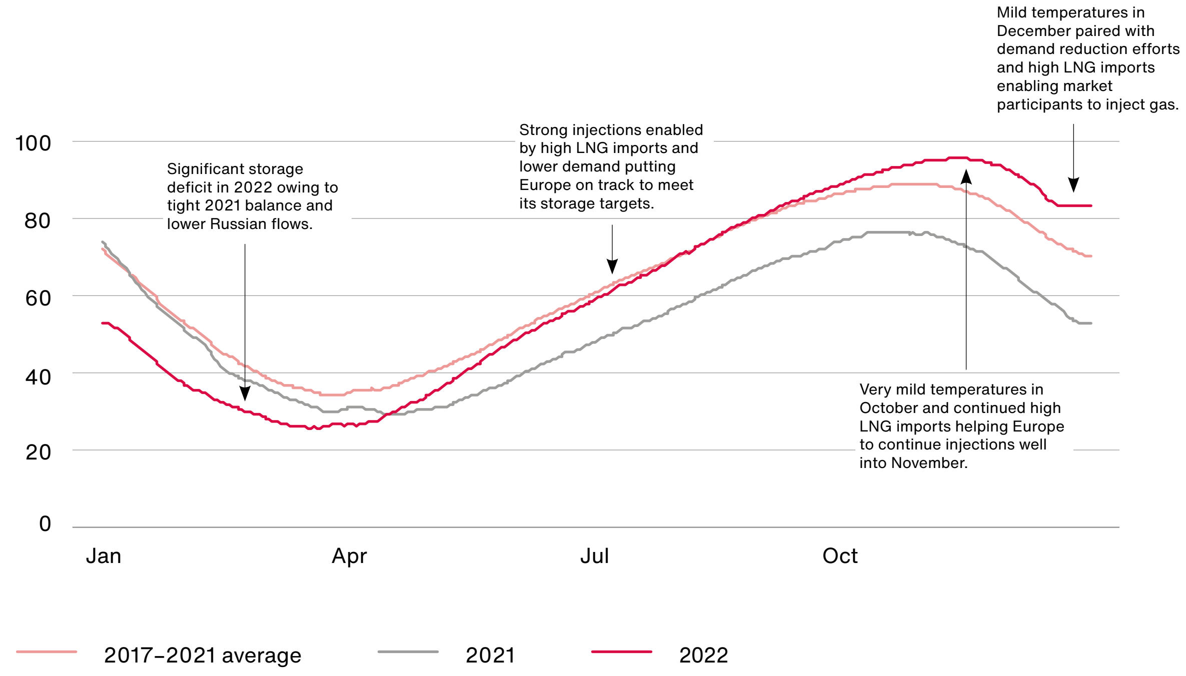


Figure 11: European gas inventories fill rate in%.

Source: AGSI, EP Commodities

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 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.

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.

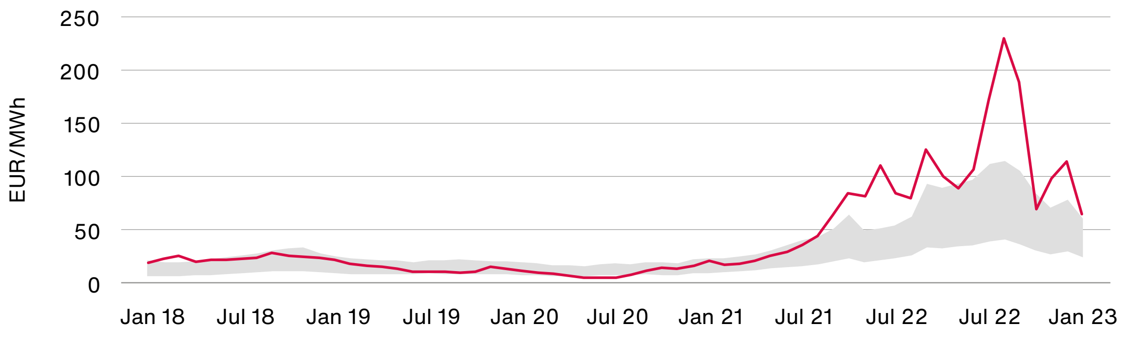


Figure 12: Average TTF outturn prices versus coal-to-gas fuel switching range. Source: ICE, NYMEX, EP Commodities

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.

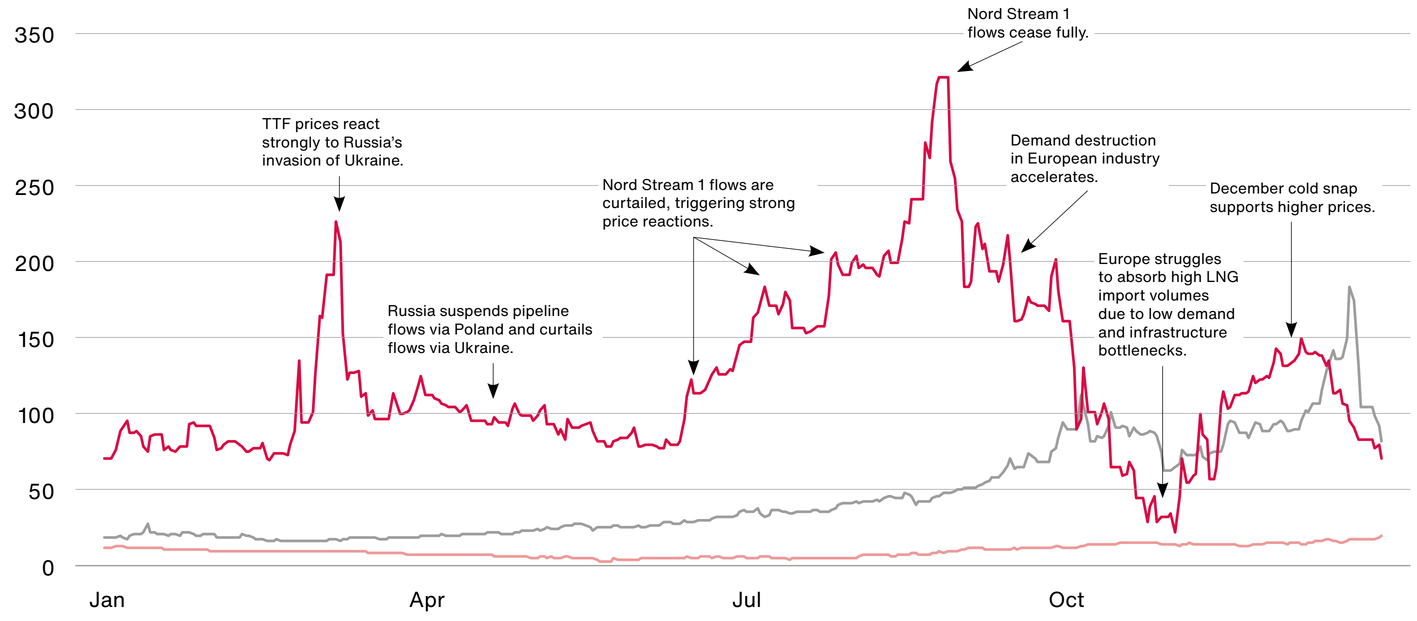


Figure 13: TTF outturn (day ahead) prices in EUR/MWh. Source: AGSI, EP Commodities

Figure 15: Global gas prices.

Source: ICE, NYMEX

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.

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.

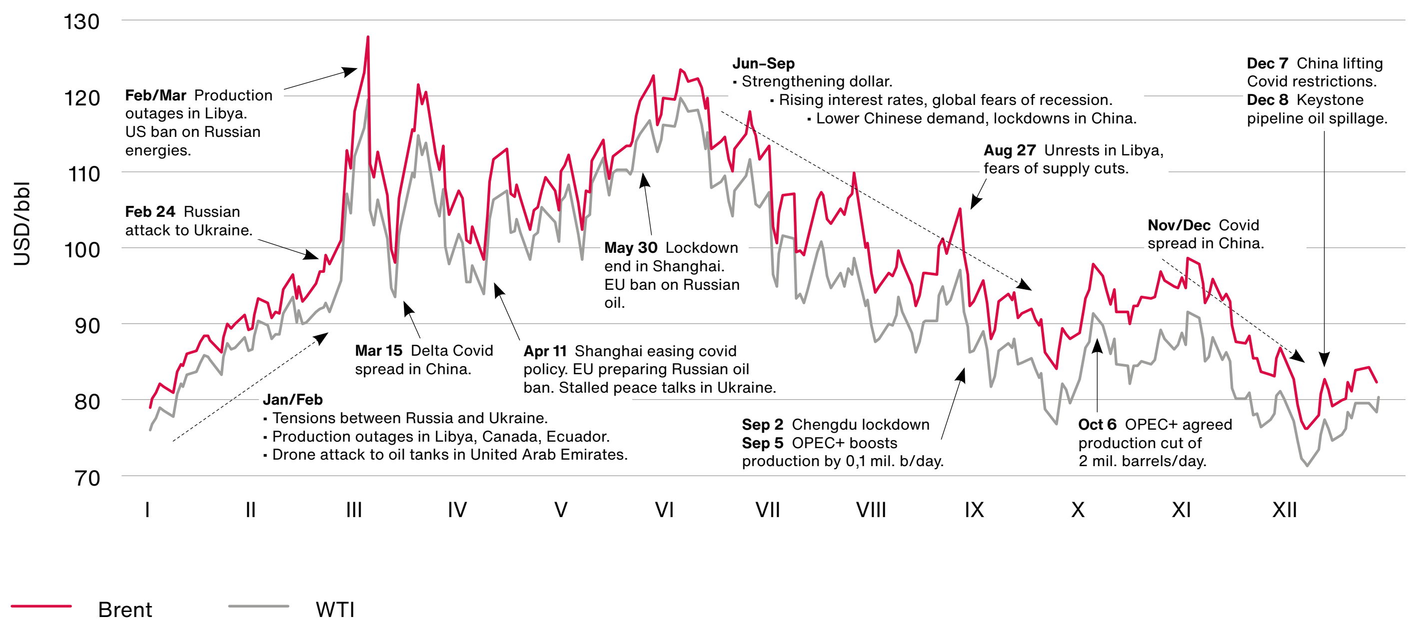


Figure 16: Key oil benchmark prices.

Source: ICE, EP Commodities

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 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.

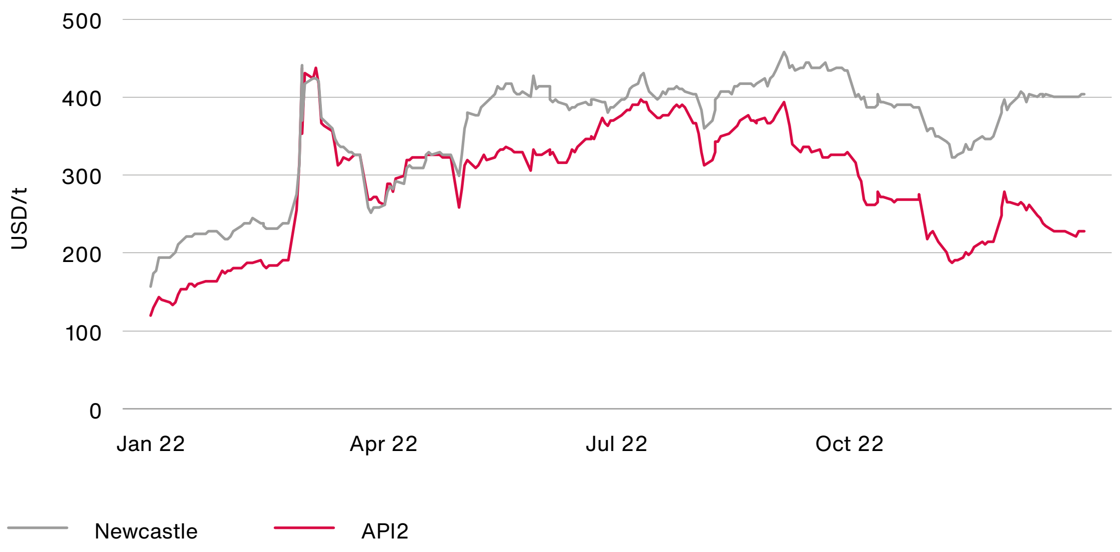


Figure 17: Global coal prices.

Source: ICE

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.

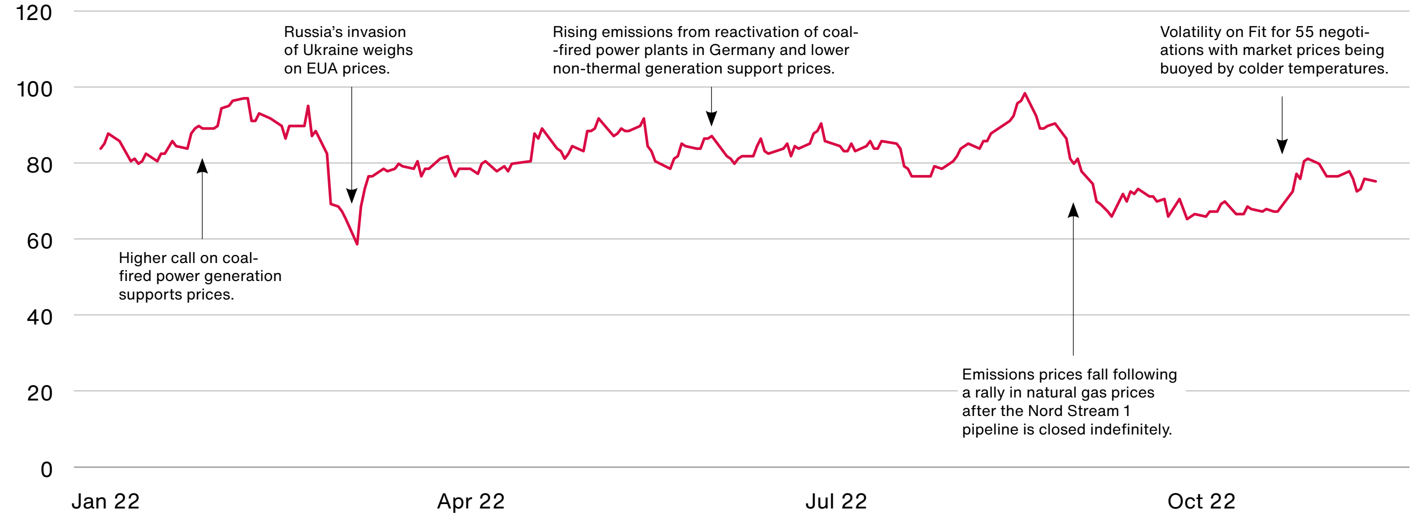


Figure 18: EUA prices in EUR/t.

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, where EPPE Group will be included.

implementation

» The results achieved in 2022 reflect our previous work, the consistent implementation of our strategy, and our increased presence in Western Europe through well-executed acquisition projects.

2 Management Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of EP Power Europe, 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 EPPE 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 EPPE Group.

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

Prague, 19 May 2023

Mgr. Marek Spurný
Vice-Chairman of the Board of Directors

Mgr. Pavel Horský
Vice-Chairman of the Board of Directors

3 Report on Relations

Report on Relations

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

prepared by the Board of Directors of EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 278 58 685, in accordance with Section 82 (1) of Act No. 90/2012 Coll., as amended

(the "**Report**")

I. PREAMBLE

The Report has been prepared pursuant to Section 82 (1) Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended ("**BCCA**").

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

The Report has been prepared for the 2022 accounting period.

II. STRUCTURE OF RELATIONS BETWEEN THE ENTITIES

CONTROLLED ENTITY

The controlled entity is EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1, ID No.: 278 58 685, registered in the Commercial Register of the Municipal Court in Prague, Section B, Insert 21599.

DIRECTLY CONTROLLING ENTITY

Energetický a průmyslový holding, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
ID No.: 283 56 250

INDIRECTLY CONTROLLING ENTITY

EP Investment S.à.r.l.
Registered office: 2, Place de Paris, L – 2314 Luxembourg, Luxembourg
Reg. No.: B 184488

EP Corporate Group, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic
ID No.: 086 49 197

OTHER CONTROLLED ENTITIES

The structure of relations of the controlling entity EP Investment S.àr.l. and the groups of controlled entities controlled by this controlling entity is presented in Annex 1 to the Report. The Annex, therefore, does not contain the complete ownership structure of EP Investment S. à.r.l., nor does it list the shareholders holding 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 and provided in order 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 entities hold a majority share of voting rights in EP Power Europe, a.s. over which they exercise a controlling influence.

IV. OVERVIEW OF ACTS SPECIFIED BY SECTION 82 (2)(D) OF ACT NO. 90/2012 COLL., ON BUSINESS CORPORATIONS AND COOPERATIVES IN 2022

In 2022, no other actions were taken at the initiative or in the interest of the controlling entity that would concern assets exceeding 10% of the controlled entity's equity as determined from the most recent financial statements.

V. AGREEMENTS CONCLUDED BETWEEN EP POWER EUROPE, A.S. AND OTHER RELATED ENTITIES

V.1.1. IN 2022, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES WITHIN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. WERE IN PLACE

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

On 27 September 2018, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor, and Energetický a průmyslový holding, a.s. as the debtor.

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

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

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

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

IN 2022, THE FOLLOWING LOAN AGREEMENTS CONCLUDED WITH COMPANIES WITHIN EP POWER EUROPE, A.S. WERE IN PLACE:

On 18 September 2018, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the debtor and EP Produzione S.p.A. as the creditor.

On 1 August 2017, a loan agreement was signed by and between EP United Kingdom, s.r.o. as the creditor and EP UK Investments Ltd as the debtor. In 2017, EP Power Europe, a.s. became the legal successor of EP United Kingdom, s.r.o.

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

On 30 November 2018, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 9 July 2019, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP France S.A.S., as the debtor.

On 28 January 2020, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EPPE Germany, a.s. as the debtor.

On 22 March 2021, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments, Ltd as the debtor.

On 16 June 2021, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 8 September 2021, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP CTA GmbH as the debtor.

On 15 September 2021, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 17 January 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the debtor and Saale Energie GmbH as the debtor.

On 12 April 2022, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP Resources CZ a.s. as the debtor.

On 25 August 2022, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EPPE Germany, a.s. as the debtor.

On 11 October 2022, a loan agreement, including valid amendments, was signed by and between EP Power Europe, a.s. as the creditor and EP UK Investments Ltd as the debtor.

On 25 November 2022, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and EP Power Minerals GmbH as the debtor.

On 15 December 2022, a loan agreement was signed by and between EP Power Europe, a.s. as the debtor and EP Commodities, a.s. as the creditor.

On 19 December 2022, a loan agreement was signed by and between EP Power Europe, a.s. as the creditor and International Resource Invest AG as the debtor.

On 20 December 2022, a loan agreement was signed by and between EP Power Europe, a.s. the creditor and EP Netherlands B.V. as the debtor.

V. 1. 2. IN 2022, THE FOLLOWING AGREEMENTS ON THE PROVISION OF AN ADDITIONAL EQUITY CONTRIBUTION WERE CONCLUDED WITH COMPANIES WITHIN EP POWER EUROPE, A.S.

On 3 August 2022, an agreement on the provision of an additional equity contribution was signed by 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 by 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 was signed 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 by Energetický a průmyslový holding, a.s. as the shareholder and EP Power Europe, a.s.

V. 1. 3. IN 2022, THE FOLLOWING AGREEMENTS ON OFFSETTING RECEIVABLES AND PAYABLES WERE CONCLUDED WITH COMPANIES WITHIN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S.

On 21 December 2022, an agreement on offsetting receivables was signed between EP Power Europe, a.s. and Energetický a průmyslový holding, a.s.

V. 1. 4. OTHER CONTRACTS CONCLUDED WITH COMPANIES WITHIN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. WERE IN PLACE IN 2022

On 1 December 2017, a framework agreement on the provision of guarantees was signed by and between Energetický a průmyslový holding, a.s. as the guarantor and EP Power Europe, a.s. as the debtor.

OTHER CONTRACTS CONCLUDED WITH COMPANIES WITHIN EP POWER EUROPE, A.S. WERE IN PLACE IN 2022:

On 24 June 2016, an agreement on the provision of guarantees was signed by and between EPPE Italy N.V. as the guarantor (formerly Czech Gas Holding N.V.) and EP Produzione S.p.A. In 2019, EPPE Italy N.V. merged with EP Power Europe, a.s.

On 29 June 2018, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Commodities, a.s.

On 15 October 2018, an agreement on the provision of guarantees was signed between EP Power Europe, a.s. as the guarantor and Mitteldeutsche Braunkohlengesellschaft mbH.

On 30 November 2018, an agreement on the assignment of a loan agreement, including valid amendments, was signed by and between EP Power Europe a.s. as the assignor and EP UK Investments Ltd as the assignee, against Lynemouth Power Limited.

On 1 August 2020, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and Gazel Energie Solutions SAS.

On 15 December 2021, an agreement on the purchase of shares including the assignment of the loan agreement and its valid amendments was signed by and between EP Energy, a.s. as the seller and EP Power Europe, a.s. as the buyer with respect to Greeninvest Energy, a.s.

On 1 August 2021, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Power Minerals GmbH.

On 24 August 2022, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and EP Langage Limited.

On 1 December 2022, an agreement on the provision of guarantees was signed by and between EP Power Europe, a.s. as the guarantor and Illico S.A.S.

V.1.5. IN 2022, THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES WITHIN ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. WERE IN PLACE

An agreement on mediation dated 1 September 2016, concluded between EP Power Europe, a.s. as the interested party, and EP Investment Advisors, s.r.o. as the provider.

An agreement on the sublease of business premises dated 15 June 2017, concluded between EP Power Europe, a.s. as the sub-lessee and EP Investment Advisors, s.r.o. as the lessee.

An agreement on providing professional assistance concluded on 2 January 2018 between EP Power Europe, a.s. as the provider, and EP Fleet, a.s. as the interested party.

An agreement on providing professional assistance concluded on 1 January 2019 between EP Power Europe, a.s. as the provider, and EP Logistics International, a.s. as the interested party.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the interested party and EP Real Estate, a.s. (formerly PT Real Estate, a.s.) as the provider.

An agreement on providing professional assistance concluded on 2 January 2019 between EP Power Europe, a.s. as the provider and EP Real Estate, a.s. (formerly PT Real Estate, a.s.) as the interested party.

An agreement on a vehicle lease concluded on 1 March 2021 between EP Power Europe, a.s. as the lessee and EP Investment Advisors, s.r.o. as the lessor.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the interested party and Energetický a průmyslový holding, a.s. as the provider.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the provider and Energetický a průmyslový holding, a.s. as the interested party.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the provider and EP Investment Advisors, s.r.o. as the interested party.

Smlouva o poskytování odborné pomoci uzavřená mezi společností EP Power Europe, a.s. jako zájemcem a společností EP Investment Advisors, s.r.o. jako poskytovatelem dne 28. února 2022.

An agreement on providing professional assistance concluded on 28 February 2022 between EP Power Europe, a.s. as the interested party and EP Investment Advisors, s.r.o. as the provider.

IN 2022, THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES WITHIN EP POWER EUROPE, A.S. WERE IN PLACE:

An agreement on providing professional assistance concluded on 15 February 2022 between EP Power Europe, a.s. as the provider and EP Netherlands B.V. (formerly EP Yuzivska B.V.) as the interested party.

An agreement on providing professional assistance concluded on 15 February 2022 between EP Power Europe, a.s. as the provider and EP Ukraine B.V. (EP Sophievska B.V.) as the interested party.

An agreement on providing professional assistance concluded on 13 May 2022 between EP Power Europe, a.s. as the provider and Mitteldeutsche Braunkohlengesellschaft mbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP UK Investments Ltd as the interested party.

An agreement on providing professional assistance concluded on 15 January 2022 between EP Power Europe, a.s. as the provider and EP Mehrum GmbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Commodities, a.s. as the interested party, effective from the calendar year 2021.

An agreement on providing professional assistance concluded on 14 February 2022 between EP Power Europe, a.s. as the provider and LEAG Holding, a.s. as the interested party.

An agreement on providing professional assistance concluded on 7 March 2022 between EP Power Europe, a.s. as the provider, and EP Resources CZ, a.s. as the interested party.

An agreement on providing professional assistance concluded on 5 May 2022 between EP Power Europe, a.s. as the provider and Saale Energie GmbH as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP France S.A.S. as the interested party, effective from the calendar year 2021.

An agreement on providing professional assistance concluded on 5 May 2022 between EP Power Europe, a.s. as the provider and JTSD Braunkohlebergbau as the interested party.

An agreement on providing professional assistance concluded on 25 May 2022 between EP Power Europe, a.s. as the provider and New Energies GmbH as the interested party.

An agreement on providing professional assistance concluded on 23 March 2022 between EP Power Europe, a.s. as the provider and EP Resources AG as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Produzione S.p.A. as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and Lausitz Energie Bergbau AG as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe a.s. as the provider and Biomasse Italia S.p.A. as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe a.s. as the provider and Biomasse Crotone S.p.A. as the interested party.

An agreement on providing professional assistance concluded between EP Power Europe a.s. as the provider and Fusine Energie S.r.l. as the interested party.

An agreement on providing professional assistance concluded on 23 March 2022 between EP Power Europe a.s. as the interested party and EP Power Minerals GmbH as the provider.

An agreement on providing professional assistance concluded on 4 April 2022 between EP Power Europe, a.s. as the interested party and Kraftwerk Mehrum GmbH as the provider.

An agreement on providing professional assistance concluded on 4 April 2022 between EP Power Europe, a.s. as the interested party and Kraftwerk Mehrum GmbH as the provider.

An agreement on providing professional assistance concluded on 4 April 2022 between EP Power Europe, a.s. as the interested party and RVA Consulting Engineers Limited as the provider.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the interested party and EP Hungary s.r.o. Limited as the provider, effective from the calendar year 2022.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the interested party and EP Resources DE GmbH Limited as the provider, effective from the calendar year 2022.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the interested party and EP France Management & Services Limited as the provider, effective from the calendar year 2022.

IN 2022, THE FOLLOWING OPERATING AGREEMENTS CONCLUDED WITH COMPANIES WITHIN EP INFRASTRUCTURE, A.S. WERE IN PLACE:

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the interested party and EP Infrastructure, a.s. as the provider.

An agreement on providing professional assistance concluded between EP Power Europe, a.s. as the provider and EP Infrastructure, a.s. as the interested party.

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

An agreement on share purchase concluded on 29 April 2021 between EP Power Europe, a.s. as the seller and EP Corporate Group, a.s. as the buyer.

VI. OTHER JURIDICAL ACTS MADE BETWEEN EP POWER EUROPE, A.S. AND OTHER RELATED ENTITIES

Except for the above, no other agreements were concluded by and between EP Power Europe, a.s. and the related entities, and no supplies or considerations were provided between EP Power Europe, a.s. and the related entities.

EP Power Europe, a.s. did not adopt or carry out any other juridical acts or measures in the interest or at the initiative of the related entities.

VII. TRANSACTIONS, RECEIVABLES AND PAYABLES OF EP POWER EUROPE, A.S. VIS-À-VIS RELATED ENTITIES

Receivables and payables of EP Power Europe, a.s. from/to related entities as at 31 December 2022 are disclosed in the respective note to the financial statements of the controlled entity for the year ended 31 December 2022.

VIII.

We hereby confirm that in this report on relations between related parties of EP Power Europe, a.s. prepared pursuant to the provision of Section 82(1) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended, for the reporting period from 1 January 2022 to 31 December 2022, we have included all information known as of the date of signing this report regarding the following:

- agreements between related entities;
- supplies and considerations provided to related entities;
- other juridical acts made in the interest of these entities;
- all measures adopted or effected in the interest or at the initiative of these entities.

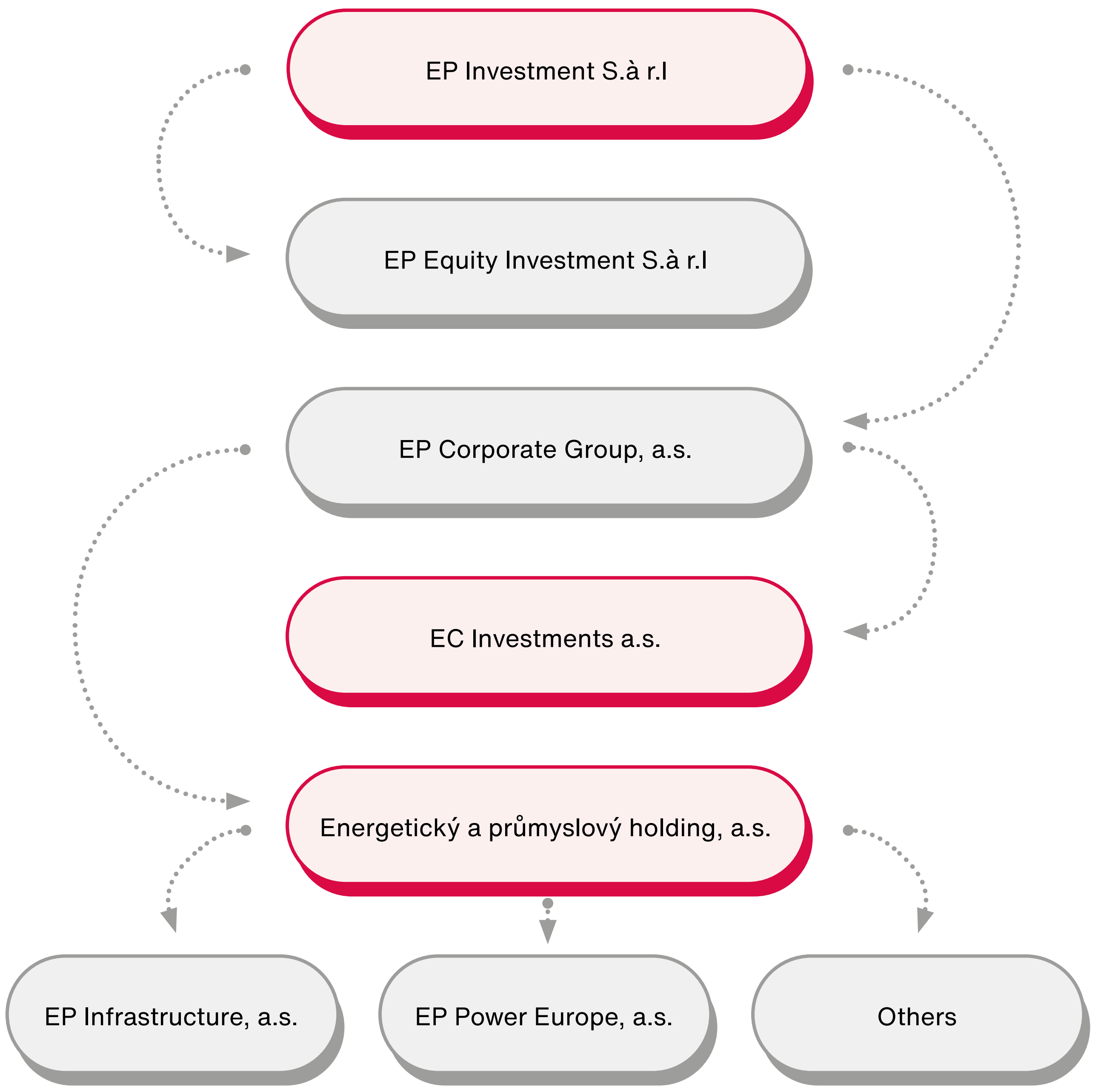
All transactions between EP Power Europe, a.s. and the controlling entity or entities controlled by the same entity were concluded at arm's length conditions. The Board of Directors of EP Power Europe, a.s. also declares that EP Power Europe, a.s. has not incurred any damage from acts performed by the controlling entity or entities controlled by the same entity. All transactions between the controlled entity and the controlling entity or entities controlled by the same controlling entity were performed based on the arm's length principle. EP Power Europe, a.s. has not incurred any damage or loss nor has it generated any financial advantage or disadvantage from contractual relations or any other relations with related entities.

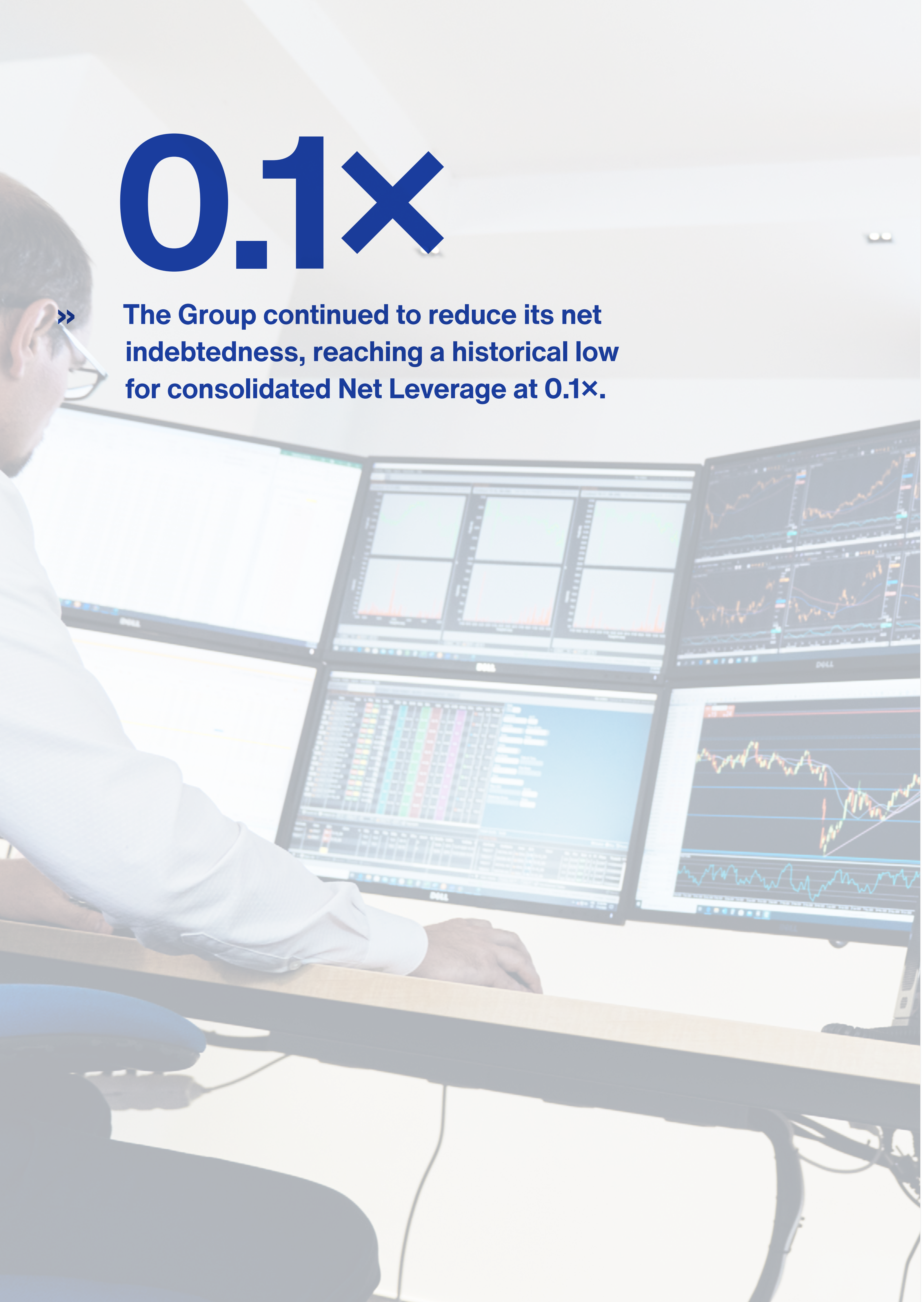
Prague, 27 March 2023

Mgr. Marek Spurný
Vice-Chairman of the Board of Directors

Mgr. Pavel Horský
Vice-Chairman of the Board of Directors

Appendix No. 1





0.1×

›› The Group continued to reduce its net indebtedness, reaching a historical low for consolidated Net Leverage at 0.1×.

4 Consolidated Audit Report

Deloitte.

Deloitte Audit s.r.o.
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Tax ID. No.: CZ49620592

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

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

Opinion

We have audited the accompanying consolidated financial statements of EP Power Europe, 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 flow 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the 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 scepticism 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 19 May 2023

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

EUR 555 million

» **Investments in new projects are reflected in the total CAPEX of EUR 555 million, which is almost double compared to last year.**

5 Consolidated Financial Statements
and Notes to the Consolidated Financial Statements

EP Power Europe

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	6	**33,608**	**16,452**
Purchases and consumables	7	**(28,216)**	**(14,042)**
Subtotal		**5,392**	**2,410**
Services	8	(477)	(287)
Personnel expenses	9	(378)	(319)
Depreciation and amortisation	14, 15	(354)	(311)
Emission rights, net	10	(1,363)	(709)
Own work capitalized		3	4
Other operating income (expense), net	11	(259)	(115)
Profit (loss) from operations		**2,564**	**673**
EBITDA		**2,918**	**984**
Finance income	12	68	17
Impairment losses on financial instruments and other financial assets	12	-	(3)
Finance expense	12	(198)	(61)
Net finance income (expense)		**(130)**	**(47)**
Share of profit (loss) of equity accounted investees, net of tax	17	800	(61)
Profit (loss) before income tax		**3,234**	**565**
Income tax expenses	13	(596)	(42)
Profit (loss) for the year		**2,638**	**523**
Items that are not reclassified subsequently to profit or loss:			
Foreign currency translation differences from presentation currency	13	-	103
Fair value reserve included in other comprehensive income	13	106	75
Revaluation of property, plant and equipment, net of tax	14	-	3

	Note	2022	2021* (restated)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from foreign operations	13	(38)	(84)
Effective portion of changes in fair value of cash-flow hedges	13	121	23
Other comprehensive income for the year, net of tax		**189**	**120**
Total comprehensive income for the year		**2,827**	**643**
Profit (loss) attributable to:			
Owners of the Company		2,613	505
Non-controlling interest	25	25	18
Profit (loss) for the year		**2,638**	**523**
Total comprehensive income attributable to:			
Owners of the Company		2,798	625
Non-controlling interest	25	29	18
Total comprehensive income for the year		**2,827**	**643**
Total basic and diluted earnings per share in EUR	24	**22,214**	**4,293**

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

The notes presented on pages 98 to 241 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	14	1,962	1,924
Intangible assets and goodwill	15	286	213
Investment property	16	18	19
Equity accounted investees	17	1,132	950
Restricted cash	22	17	-
Financial instruments and other financial assets	29	753	600
of which loans to shareholders		*279*	*255*
Trade receivables and other assets	20	387	82
Prepayments and other deferrals		4	-
Deferred tax assets	18	245	138
Total non-current assets		**4,804**	**3,926**
Inventories, extracted minerals and mineral products	19	1,001	623
Trade receivables and other assets	20	4,842	3,489
Financial instruments and other financial assets	29	6,754	4,563
of which loans to shareholders		*830*	*362*
Prepayments and other deferrals		113	50
Current income tax receivable		72	17
Restricted cash	22	20	22
Cash and cash equivalents	21	1,243	1,741
Total current assets		**14,045**	**10,505**
Total assets		**18,849**	**14,431**
Equity*			
Share capital	23	946	905
Other reserves	23	(98)	(338)
Retained earnings		3,836	1,556
Total equity attributable to equity holders		**4,684**	**2,123**
Non-controlling interest	25	96	77
Total equity		**4,780**	**2,200**

	Note	2022	2021
Liabilities			
Loans and borrowings	26	301	261
of which owed to shareholders		*166*	*179*
Financial instruments and financial liabilities	29	481	536
Provisions	27	997	1,278
Deferred income	28	-	3
Deferred tax liabilities	18	238	60
Trade payables and other liabilities	30	139	11
Total non-current liabilities		**2,156**	**2,149**
Trade payables and other liabilities	30	3,986	1,997
Contract liabilities		8	-
Loans and borrowings	26	1,148	1,717
of which owed to shareholders		*921*	*1,275*
Financial instruments and financial liabilities	29	4,572	5,002
Provisions	27	1,654	1,321
Deferred income	28	44	10
Current income tax liability	13	501	35
Total current liabilities		**11,913**	**10,082**
Total liabilities		**14,069**	**12,231**
Total equity and liabilities		**18,849**	**14,431**

* 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 98 to 241 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									
	Note	Share capital	Share premium	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2022		**905**	**-**	**200**	**12**	**4**	**10**	**3**	**(862)**	**295**	**1,556**	**2,123**	**77**	**2,200**
Adjustment on change of functional currency of the parent entity	*3(a)*	*41*	-	*11*	*1*	*6*	*7*	-	*(46)*	*4*	*(24)*	-	-	**-**
Adjustment on initial application of IAS 37	*2(f)*	-	-	-	-	-	-	-	-	-	*(173)*	*(173)*	-	***(173)***
Adjusted balance as at 1 January 2022 (A)		946	-	211	13	10	17	3	(908)	299	1,359	1,950	77	***2,027***
Total comprehensive income for the year:														
Profit or loss (B)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,613**	**2,613**	**25**	**2,638**
Other comprehensive income:														
Foreign currency translation differences for foreign operations	13, 23	-	-	-	-	(38)	-	-	-	-	-	(38)	-	**(38)**
Fair value reserve included in other comprehensive income, net of tax	13, 23	-	-	-	-	-	103	-	-	-	-	103	3	**106**
Effective portion of changes in fair value of cash-flow hedges, net of tax	13, 23	-	-	-	-	-	-	-	-	120	-	120	1	**121**
Total other comprehensive income (C)		**-**	**-**	**-**	**-**	**(38)**	**103**	**-**	**-**	**120**	**-**	**185**	**4**	**189**
Total comprehensive income for the year (D) = (B + C)		**-**	**-**	**-**	**-**	**(38)**	**103**	**-**	**-**	**120**	**2,613**	**2,798**	**29**	**2,827**
Contributions by and distributions to owners:														
Contribution to equity	23	-	-	70	-	-	-	-	-	-	-	70	-	**70**
Transfer to non-distributable reserve		-	-	-	2	-	-	-	-	-	(1)	1	-	**1**
Dividends to equity holders	25	-	-	-	-	-	-	-	-	-	(136)	(136)	(9)	**(145)**
Total contributions by and distributions to owners (E)		**-**	**-**	**70**	**2**	**-**	**-**	**-**	**-**	**-**	**(137)**	**(65)**	**(9)**	**(74)**
Changes in ownership interests in subsidiaries:														
Effect of changes in shareholding on non-controlling interests	6	-	-	-	-	-	-	-	-	-	1	1	(1)	**-**
Total changes in ownership interests in subsidiaries (F)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**(1)**	**-**
Total transactions with owners (G) = (E + F)		**-**	**-**	**70**	**2**	**-**	**-**	**-**	**-**	**-**	**(136)**	**(64)**	**(10)**	**(74)**
Balance as at 31 December 2022 (H) = (A + D + G)		**946**	**-**	**281**	**15**	**(28)**	**120**	**3**	**(908)**	**419**	**3,836**	**4,684**	**96**	**4,780**

The notes presented on pages 98 to 241 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")

					Attributable to owners of the Company									
	Note	Share capital	Share premium	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2021 (A)		**905**	**-**	**115**	**12**	**(15)**	**(55)**	**-**	**(848)**	**272**	**1,148**	**1,534**	**69**	**1,603**
Total comprehensive income for the year:														
Profit or loss (B)		-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**505**	**505**	**18**	**523**
Other comprehensive income:														
Foreign currency translation differences for foreign operations	13, 23	-	-	-	-	(80)	-	-	-	-	-	(80)	(4)	**(84)**
Foreign currency translation differences from presentation currency	13, 23	-	-	-	-	99	-	-	-	-	-	99	4	**103**
Fair value reserve included in other comprehensive income, net of tax	13, 23	-	-	-	-	-	75	-	-	-	-	75	-	**75**
Effective portion of changes in fair value of cash-flow hedges, net of tax	13, 23	-	-	-	-	-	-	-	-	23	-	23	-	**23**
Revaluation reserve included in other comprehensive income	13, 23	-	-	-	-	-	-	3	-	-	-	3	-	**3**
Total other comprehensive income (C)		**-**	**-**	**-**	**-**	**19**	**75**	**3**	**-**	**23**	**-**	**120**	**-**	**120**
Total comprehensive income for the year (D) = (B + C)		**-**	**-**	**-**	**-**	**19**	**75**	**3**	**-**	**23**	**505**	**625**	**18**	**643**
Contributions by and distributions to owners:														
Contribution to equity	23	-	-	85	-	-	-	-	-	-	-	85	-	**85**
Transfer to retained earnings		-	-	-	-		(10)	-	-	-	10	-		
Dividends to equity holders	25	-	-	-	-	-	-	-	-	-	(106)	(106)	(10)	**(116)**
Total contributions by and distributions to owners (E)		**-**	**-**	**85**	**-**	**-**	**(10)**	**-**	**-**	**-**	**(96)**	**(21)**	**(10)**	**(31)**
Changes in ownership interests in subsidiaries:										-				
Effect of changes in shareholding on non-controlling interests	5	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Effect of acquisition – common control transactions	5	-	-	-	-	-	-	-	(14)	-	-	(14)	-	**(14)**
Total changes in ownership interests in subsidiaries (F)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**(1)**	**(15)**	**-**	**(15)**
Total transactions with owners (G) = (E + F)		**-**	**-**	**85**	**-**	**-**	**(10)**	**-**	**(14)**	**-**	**(97)**	**(36)**	**(10)**	**(46)**
Balance as at 31 December 2021 (H) = (A + D + G)		**905**	**-**	**200**	**12**	**4**	**10**	**3**	**(862)**	**295**	**1,556**	**2,123**	**77**	**2,200**

The notes presented on pages 98 to 241 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 restated
OPERATING ACTIVITIES			
Profit (loss) for the year		2,638	523
Adjustments for:			
Income taxes	13	596	42
Dividend income		(6)	(4)
Depreciation, amortisation and impairment	14, 15	354	311
Non-cash (gain) loss from commodity derivatives for trading with electricity, gas and emission rights, net and inventory held for trading	6	(809)	453
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets		(1)	10
Emission rights	10	1,363	709
Share of (profit) loss of equity accounted investees	17	(800)	61
(Gain) loss on financial instruments, excl. impairments	12	94	6
Net interest expense	12	11	23
Change in allowance for impairment to trade receivables and other assets, write-offs	11	87	27
Change in provisions		(22)	(53)
Foreign exchange (gains) losses, net		(60)	78
Operating profit before changes in working capital		**3,445**	**2,186**
Change in trade receivables and other assets		(1,483)	(2,075)
Change in inventories (including proceeds from sale)		(590)	(175)
Change in trade payables and other liabilities		1,847	1,097
Change in restricted cash		(15)	9
Cash generated from (used in) operations		**3,204**	**1,042**
Interest paid	26	(27)	(13)
Income taxes paid		(172)	(138)
Cash flows generated from (used in) operating activities		**3,005**	**891**

	Note	2022	2021 restated
INVESTING ACTIVITIES			
Dividends received from associates and joint-ventures		9	4
Dividends received, other		1	4
Loans provided to the owners		(4,298)	(604)
Loans provided to other entities		(29)	-
Repayment of loans provided to other entities		9	-
Repayment of loans provided to the owners		3,813	522
Purchase of financial instruments		(20)	(15)
Proceed (outflows) from sale (settlement) of financial instruments		(772)	-
Acquisition of property, plant and equipment and intangible assets	14, 15	(555)	(286)
Purchase of emission rights	15	(1,036)	(435)
Proceeds from sale of emission rights		11	262
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		2	5
Acquisition of subsidiaries and associates, net of cash acquired	5	(15)	(57)
(Increase) decrease in participation in existing subsidiaries, joint-ventures and associates		(2)	(1)
Interest received		26	7
Cash flows from (used in) investing activities		**(2,856)**	**(594)**
FINANCING ACTIVITIES			
Proceeds from loans received	26	2,927	1,719
Repayment of borrowings	26	(3,449)	(823)
Contribution to equity from shareholders	23	62	41
Payment of lease liability	32, 26	(39)	(4)
Dividends paid to associates and joint ventures		(14)	(9)
Dividends paid	26	(137)	(48)
Cash flows from (used in) financing activities		**(650)**	**876**
Net increase (decrease) in cash and cash equivalents		*(501)*	*1,173*
Cash and cash equivalents at beginning of the year		**1,741**	**568**
Effect of exchange rate fluctuations on cash held		3	-
Cash and cash equivalents at end of the year		**1,243**	**1,741**

The notes presented on pages 98 to 241 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background

EP Power Europe, a.s. (the "Parent Company" or "the Company" or "EPPE") is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded on 13 July 2008 and acquired by Energetický a průmyslový holding, a.s. ("EPH") as an empty shell company on 13 April 2016.

The main activities of the EPPE Group are corporate investments in the power generation, commodity trading and mining sectors.

The consolidated financial statements of the Company for the year ended 31 December 2022 comprise the statements of the Parent Company and its subsidiaries (together referred to as the "Group" or "EPPE Group") and the Group's interests in associates and joint ventures. The Group entities are listed in Note 35 – Group entities.

The shareholder of the Company as at 31 December 2022 was as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
Energetický a průmyslový holding, a.s.	946	100.00	100.00
Total	**946**	**100.00**	**100.00**

The shareholder of the Company as at 31 December 2021 was as follows:

In millions of EUR

	Interest in share capital		Voting rights
	MEUR	%	%
Energetický a průmyslový holding, a.s.	905	100.00	100.00
Total	**905**	**100.00**	**100.00**

The shareholders of Energetický a průmyslový holding, a.s. 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 Energetický a průmyslový holding, a.s. 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.

The members of the Board of Directors as at 31 December 2022 were:

- JUDr. Daniel Křetínský (Chairman of the Board of Directors)
- Mgr. Marek Spurný (Vice-Chairman of the Board of Directors)
- Mgr. Ing. Tomáš David (Vice-Chairman of the Board of Directors)
- Mgr. Pavel Horský (Vice-Chairman of the Board of Directors)
- Ing. Jan Špringl (Vice-Chairman of the Board of Directors)
- Ing. Jiří Feist (Member of the Board of Directors)
- Ing. Tomáš Novotný (Member of the Board of Directors)
- Leif Timmermann (Member of the Board of Directors)
- Ing. Filip Bělák (Member of the Board of Directors)
- Gary Wheatley Mazzoti (Member of the Board of Directors)
- Miroslav Haško (Member of the Board of Directors)
- Peter Černák (Member of the Board of Directors)

As the Company was established under the common control principle by its sole shareholder Energetický a průmyslový holding, a.s., the Company opted to report the entities sold to the Company by EPH as if sold by EPH on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group (refer to Note 3 – Significant Accounting Policies).

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 19 May 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:

- derivative financial instruments;
- financial instruments at fair value through profit or loss;
- investment properties;
- 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 DEVELOPMENT AND KEY EVENTS FOR THE GROUP

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 is 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 judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

I. ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

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

- Notes 5, 14 and 15 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill;
- Note 6 – revenues;
- Note 16 – measurement of investment properties at fair value;
- Note 19 – measurement of inventories for trading at fair value less cost to sell;

- Note 27 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Notes 26, 29 and 33 – valuation of loans and borrowings and financial instruments;
- Note 36 – 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 5 and 15 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill;
- Note 6 – judgements relating to recognition of revenues from customers;
- Note 5 and 25 – information relating to assessment of the control over the subsidiaries;
- Note 27 – measurement of defined benefit obligations, recognition and measurement of provisions;
- Note 29 – own use exemption application for forward contracts on power and CO_2 emission allowances;
- Note 29 and 33 – hedge accounting application.

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	950	(173)	777
Total non-current assets	**950**	**(173)**	**777**
Retained earnings	1,556	(173)	1,383
Total equity	**1,556**	**(173)**	**1,383**

(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, Amendments to Standards and Interpretations 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 it is expected that 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 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 it is expected that the Standard will have no impact on the Group's 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 EPPE Group has consistently applied the following accounting policies 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 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 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 have 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	905	41	946
Other capital funds from capital contributions	200	11	211
Non-distributable reserves	12	1	13
Translation reserve	4	6	10
Fair value reserve	10	7	17
Revaluation reserve	3	-	3
Other capital reserves	(862)	(46)	(908)
Hedging reserve	295	4	299
Retained earnings	1,556	(24)	1,532
Total equity attributable to owners of the Company	**2,123**	**-**	**2,123**
Non-controlling interest	77	-	77
Total equity	**2,200**	**-**	**2,200**

(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 recognised at the carrying amounts recognised 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 recognised 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 the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired entities and its subsidiaries and associates were under common control of Energetický a průmyslový holding, a.s. they were therefore excluded from the 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 treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the consideration paid by the EPPE Group and carrying values of net assets of the acquiree and original goodwill carried forward as at the date of acquisition by the EPPE Group were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in equity.

VIII. 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(c) 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 33 – Risk management policies and disclosures.

II. TRANSLATION OF FOREIGN OPERATIONS

These consolidated financial statements are prepared in Euro, which is also the Group's presentation currency. 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
- 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 use 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.

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 and 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. 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

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.

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. 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.

III. 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

- Machinery, electric generators, gas producers, turbines and boilers 7–50 years
- Mines and mine property 15–30 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.

Significant Accounting Policies

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 allowances. 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 allowances 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

Amortisation is recognised 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

Amortisation 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 estimate (see below).

Significant Accounting Policies

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

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

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 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 on 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.

Significant Accounting Policies

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 new 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.

Some sales transaction contains variable consideration. Sales transactions usually do not contain significant financing component.

The Group's identified following main sources of Revenue in scope of IFRS 15 (for complete source of Group's revenues refer to Note 6 – Revenues):

- *Revenues from sale of electricity, gas, 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 actually volumes supplied.

Where the Group acts only as energy provider it was analysed if the distribution service invoiced is recognized 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.

- *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 straight line-basis. Capacity fees represent a fix part of the transaction price and is recognised equally over the contract period. Activation fees represents 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 transfer of the 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 an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or 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 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 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. In the separate accounts, the measurement is recognised in profit or loss from financial operations. For the purposes of Group reporting, where trading in commodity derivatives forms a significant part of the Group's total trading activities, the measurement effect is recognised in "Gain (loss) from commodity derivatives for trading with electricity and gas, net", a separate line item under "Total sales" for commodity derivatives with electricity and gas. 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 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.

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 market values or the income approach method. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The income approach method determines the value of property based on its ability to generate desired economic benefit for the owners. The key objective of the income based method is to determine the property value as a function of the economic benefit.

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 government bonds).

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).

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. Acquisitions and disposals of subsidiaries and associates

On 15 December 2016 EPPE acquired from EPH 100% share in EP United Kingdom, s.r.o. ("EP UK")(1) for EUR 33 million and 100% share in EP Commodities ("EPC") for EUR 27 million, on 9 February 2017 acquired a 100% share in EPPE Italy, N.V. (former Czech Gas Holding N.V.) ("EPPE Italy")(2) for EUR 481 million, on 15 December 2017 acquired through its subsidiary EPPE Germany, a.s. 90% share in JTSD – Braunkohlebergbau GmbH ("JTSD") for EUR 133 million, on 8 January 2021 EPPE acquired from EPH 100% share in EP Resources CZ a.s. ("EPRCZ") for EUR 15 million and on 14 February 2022 EPPE acquired from EPH 42% share in Greeninvest Energy, a.s. for EUR 0 million.

For the purpose of preparation of these consolidated financial statements, the entities acquired as part of acquisition of shares in EP UK, EPC, EPPE Italy, JTSD and EPRCZ are presented in the consolidated financial statements of the Company from the original date of acquisition under the scope of IFRS 3 by the parent company Energetický a průmyslový holding, a.s. From the view of the EPPE Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. The consideration paid or payable by the EPPE Group is presented as a decrease of Other capital reserves in Equity.

A ACQUISITIONS AND STEP ACQUISITIONS

I. 31 DECEMBER 2022

In millions of EUR

	Date of acquisition	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries			
EP Power Grit GmbH and its subsidiaries ("EP Power Grit")	01/12/2022	100	100

(1) EP United Kingdom, s.r.o. merged with EP Power Europe, a.s. as at 1 May 2017. EP Power Europe, a.s. is the successor company.
(2) EPPE Italy, N.V. merged with EP Power Europe, a.s. as at 1 January 2019 (the merger was registered on 27 December 2019, with 1 January 2019 as an effective date). EP Power Europe, a.s. is the successor company.

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 future be produced by EP Power Grit with state-of-the-art production facilities at five locations in Germany, Belgium, the Netherlands and Finland.

ACQUISITION OF NON-CONTROLLING INTEREST

On 1 September 2022, the Group acquired additional 10% interest in Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH ("Norgam"). Additional 5% were acquired through both parent entities – Tagebau Profen GmbH & Co. KG and Tagebau Schleenhain GmbH & Co. KG. The ownership of the Group in Norgam increased from 51% to 61%. The transaction resulted in 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			
EP Power Minerals GmbH, its subsidiaries, associates and joint ventures ("EP Power Minerals Group")	31/05/2021	100	100
Kraftwerk Schkopau GbR and Kraftwerk Schkopau Betriebsgesellschaft mbH ("Kraftwerk Schkopau")	01/10/2021	58.1/55.6	100
EP Resources CZ a.s.	08/01/2021	100	100
EP Resources PL S.A.	08/01/2021	100	100

EP POWER MINERALS GROUP *(renamed from STEAG Power Minerals GmbH after acquisition)*

On 31 May 2021 EP Power Europe, a.s. ("EPPE") completed a successful closing of the acquisition of EP Power Minerals GmbH ("EPPM") 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.

KRAFTWERK SCHKOPAU

On 1 October 2021, based on the historical agreement with Uniper which was officially signed in 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.

EP RESOURCES CZ

On 8 January 2021 EPPE acquired from EPH 100% share in EP Resources CZ a.s. (and its subsidiary EP Resources PL S.A.). EP Resources trades in black and brown thermal coal, graded assortments, lignite multi-powder and biomass. The company is also a major customer of lime sorbents for flue gas desulphurisation and subsequent treatment of energy by-products arising after combustion. As the company was previously ultimately controlled by EPH the transaction was treated as a business combination under common control.

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 acquisition 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.

I. 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 and Kraftwerk Schkopau are provided in the following table.

In millions of EUR

	Carrying amount(1)	Fair value adjustments	2021 Total(1)
Property, plant, equipment, land, buildings	48	49	97
Intangible assets	2	-	2
Trade receivables and other assets	179	(66)	113
Financial instruments – assets	37	-	37
Inventories	21	-	21
Cash and cash equivalents	19	-	19
Deferred tax asset	12	(1)	11
Provisions	(99)	(3)	(102)
Deferred tax liabilities	(3)	(5)	(8)
Loans and borrowings	(2)	-	(2)
Trade payables and other liabilities	(130)	66	(64)
Net identifiable assets and liabilities	**84**	**40**	**124**
Goodwill on acquisition of new subsidiaries			25
Cost of acquisition			**149**
Consideration paid, satisfied in cash (A)			76
Consideration, other(2)			73
Total consideration transferred			**149**
Less: Cash acquired (B)			19
Net cash inflow (outflow) (C) = (B – A)			**(57)**

(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.

III. RATIONALE FOR ACQUISITIONS

The Group's strategic rationale for realised acquisitions comprised several factors, including:

- the subsidiaries' businesses are complementary to EPPE's portfolio;
- potential for synergic effects;
- the subsidiaries have an advantageous position within the market;
- subject industries are expected to grow in the future.

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, EPPE is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position of 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 Total
Revenue of the acquirees recognised since the acquisition date	-
Profit (loss) of the acquirees recognised since the acquisition date	-

In millions of EUR

	2021 Total
Revenue of the acquirees recognised since the acquisition date(1)	488
Profit (loss) of the acquirees recognised since the acquisition date(1)	(26)

(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 Total
Revenue of the acquirees recognised in the year ended 31 December 2022*	16
Profit (loss) of the acquires recognised in the year ended 31 December 2022*	1

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

In millions of EUR

	2021 Total
Revenue of the acquirees recognised in the year ended 31 December 2021*(1)	786
Profit (loss) of the acquires recognised in the year ended 31 December 2021*(1)	(18)

* 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.

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 EP Power Europe, 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 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	Trade receivables and other assets	Provisions	Trade payables and other liabilities	Deferred tax liability	Total net effect on financial position
Subsidiary						
EP Power Minerals Group	6	-	(3)	-	(1)	2
Kraftwerk Schkopau	43	(66)	-	66	(5)	38
Total	**49**	**(66)**	**(3)**	**66**	**(6)**	**40**

D DISPOSAL OF INVESTMENTS

There were no disposals of investments during the year 2022 nor 2021.

6. Revenues

In millions of EUR

	2022	2021(1) (restated)
Revenues: Energy and related services		
of which: Electricity	21,474	9,335
Gas	9,193	6,529
Coal	417	217
Other energy products	84	40
Total Energy and related services	**31,168**	**16,121**
Revenues: Logistics and freight services	**1,082**	**704**
Revenues: Other	**549**	**313**
Total revenues from customers	**32,799**	**17,138**
Gain (loss) from commodity and freight derivatives, net	**809**	**(686)**
Total	**33,608**	**16,452**

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

Other revenues are represented mainly by sales of gypsum, biomass, reimbursements of transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

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.

In the following table, revenues are disaggregated by geographical location of delivery of goods and services.

In millions of EUR

	2022	2021
United Kingdom	7,789	3,104
Italy	5,912	2,447
France	5,780	960
Luxembourg	4,376	2,567
Germany	2,681	3,493
Switzerland	1,924	645
Ireland	1,375	843
Czech Republic	967	671
Slovakia	612	193
Other	2,192	1,529
Total	**33,608**	**16,452**

In 2022 and 2021 no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

7. Purchases and consumables

In millions of EUR

	2022	2021(1) (restated)
Purchases and consumables		
Purchase cost of sold electricity	12,209	4,335
Purchase cost of sold gas and other energy products	8,775	5,980
Other purchase cost	1,381	732
Consumption of energy	5,404	2,424
Consumption of fuel and other material	299	387
Changes in WIP, semi-finished products and finished goods	(19)	8
Other purchases	167	176
Total Energy	**28,216**	**14,042**

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

Purchases and consumables presented in the above table contains only cost of purchased energy and purchased materials consumed in producing energy output, it does not contain directly attributable overheads (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges etc.).

8. Services

In millions of EUR

	2022	2021[1] (restated)
Repairs and maintenance	130	74
Transport expenses	81	22
Consulting expenses	39	39
Industrial waste	39	27
Insurance expenses	34	26
Network fees	25	-
Environment protection	20	20
Outsourcing and other administration fees	19	25
Information technologies costs	13	11
Rent expenses	8	12
Training, courses, conferences	5	3
Security services	5	3
Advertising expenses	4	2
Communication expenses	2	1
Other	53	22
Total	**477**	**287**

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

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

9. Personnel expenses

In millions of EUR

	2022	2021
Wages and salaries	308	247
Compulsory social security contributions	59	58
Expenses and revenues related to employee benefits (IAS 19)	6	5
Other social expenses	5	9
Total	**378**	**319**

The average number of employees during 2022 was 3,857 (2021: 4,077), of which 59 were executives (2021: 62).

10. Emission rights

In millions of EUR

	2022	2021
Profit (loss) from sale of emission rights	(333)	(81)
Creation of provision for emission rights	(1,409)	(1,214)
Gain (loss) from commodity derivatives for trading with emission rights, net	290	343
Deferred income (grant) released to profit and loss	89	243
Use of provision for emission rights	1,189	380
Consumption of emission rights	(1,189)	(380)
Total	**(1,363)**	**(709)**

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, 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) iii – Provisions – Provision for emission rights for more details on accounting policies on emission rights.

The companies that participate in the emission rights programme are JTSD – Braunkohlebergbau GmbH and its selected subsidiaries, Kraftwerk Mehrum GmbH, Lynemouth Power Limited, EP UK Investments LTD 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.

11. Other operating income (expense), net

In millions of EUR

	2022	2021[1] (restated)
Compensation from insurance companies	9	44
Ecological tax reimbursement	5	5
Consulting fees	4	12
Rental income	3	2
Contractual penalties	1	20
Gain on disposal of tangible and intangible assets	1	-
Profit from sale of material	1	12
Other	24	28
Other operating income	**48**	**123**
Taxes and charges	(103)	(108)
Impairment losses	(87)	(27)
Of which relates to: Inventories	*(79)*	*(15)*
Trade receivables and other assets	*(8)*	*(12)*
Office equipment and other material	(39)	(50)
Consulting expenses	(16)	(7)
Gifts and sponsorship	(10)	(2)
Contractual penalties	(14)	-
Creation and reversal of provision	(12)	(8)
Re-transmission fee	(7)	(6)
Loss from written off receivables	-	(2)
Loss on disposal of tangible and intangible assets	-	(10)
Other	(19)	(18)
Other operating expense	**(307)**	**(238)**
Other operating income (expense), net	**(259)**	**(115)**

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

12. Finance income and expense, profit (loss) from financial instruments

RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2022	2021[1] (restated)
Interest income	46	13
Fee and commission income	16	-
Dividend income	6	4
Total finance income	**68**	**17**
Impairment losses on financial assets[2]	-	(3)
Total impairment losses on financial assets	**-**	**(3)**
Interest expense	(64)	(31)
Interest expense from unwind of provision discounting	7	(5)
Fees and commissions expense for other services	(31)	(13)
Finance expense	**(88)**	**(49)**
Profit (loss) from trading derivatives[3]	(92)	(6)
Profit (loss) from hedging derivatives	(2)	-
Net foreign exchange gain (loss)	(16)	(6)
Profit (loss) from financial instruments	**(110)**	**(12)**
Total finance expense	**(198)**	**(61)**
Net finance income (expense)	**(130)**	**(47)**

(1) Restated 2021 comparative information includes modifications described in Note 3(a) and Appendix 2.
(2) For details refer to Note 17 – Equity accounted investees and Note 29 – Financial instruments.
(3) All derivatives are for the risk management purposes.

13. Income tax expenses

INCOME TAXES RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2022	2021
Current taxes:		
Current year	(582)	(136)
Adjustment for prior periods	(1)	3
Total current taxes	**(583)**	**(133)**
Deferred taxes:		
Origination and reversal of temporary differences[(1)]	(13)	91
Total deferred taxes	**(13)**	**91**
Total income taxes (expense) benefit recognised in profit or loss	**(596)**	**(42)**

(1) For details refer to Note 18 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 501 million (2021: EUR 35 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 of EUR 57 million (2021: EUR 0 million) and EP Mehrum GmbH of EUR 43 million (2021: EUR 0 million).

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised 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%
Germany	26.95%–31.93%	28.83%–32.83%
Italy	24%	24%
United Kingdom	19%	19%
Poland	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.

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)]	124	(18)	106
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(38)	-	(38)
Effective portion of changes in fair value of cash-flow hedges[(1)]	165	(44)	121
Total	**251**	**(62)**	**189**

(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
Foreign currency translation differences from presentation currency	103	-	103
Fair value reserve included in other comprehensive income[(1)]	83	(8)	75
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(84)	-	(84)
Effective portion of changes in fair value of cash-flow hedges[(1)]	27	(4)	23
Total	**132**	**(12)**	**120**

(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.

The foreign currency translation differences related to non-controlling interest are presented under other comprehensive income attributable to non-controlling interest.

RECONCILIATION OF THE EFFECTIVE TAX RATE

In millions of EUR

	%	2022	%	2021
Profit before tax		3,234		565
Income tax using the Company's domestic rate (19%)	19%	614	19%	107
Effect of tax rates in foreign jurisdictions	3.5%	112	2.7%	15
Non-deductible expenses(1)	6.1%	196	2.5%	14
Other non-taxable income(2)	(9.0%)	(291)	(8.7%)	(49)
Share of profit (loss) of equity accounted investees	(4.7%)	(152)	2.1%	12
Change in tax rate	(0.2%)	(5)	(0.5%)	(3)
Tax incentives	0.1%	2	-	-
Current year losses for which no deferred tax asset was recognised	0.2%	6	0.4%	2
Effect of special levy for business in regulated services	3.7%	119	-	-
Recognition of previously unrecognised tax losses	(0.1%)	(3)	(0.4%)	(2)
Current period adjustment for deferred tax recognized in prior period(3)	(0.1%)	(3)	(9.2%)	(52)
Withholding tax, income tax adjustments for prior periods	0.0%	1	(0.4%)	(2)
Income taxes recognised in profit or loss	**18.5%**	**596**	**7.5%**	**42**

(1) The basis consists mainly of a permanent difference between local GAAP and IFRS for NBV of fixed assets and provisions, non-deductible expenses related to derivatives of EUR 351 million, non-deductible interest expense of EUR 16 million (2021: EUR 8 million) and creation of provisions of EUR 132 million.
(2) The basis consists mainly of a permanent difference between local GAAP and IFRS for NBV of fixed assets and reversal of provisions and allowances and non-taxable income related to derivatives of EUR 278 million.
(3) 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.

14. Property, plant and equipment

In millions of EUR

	Land and buildings(1)	Technical equipment, plant and machinery(1)	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2022	**471**	**3,056**	**13**	**104**	**3,644**
Effects of movements in foreign exchange rates	(2)	(66)	1	(7)	**(74)**
Additions	5	211	7	196	**419**
Additions through business combinations(2)	2	-	-	-	**2**
Disposals	-	(97)	(1)	-	**(98)**
Change in provision recorded in PPE	-	(11)	-	-	**(11)**
Transfer to/from intangible assets	2	5	-	(10)	**(3)**
Transfers	(6)	(79)	113	(28)	**-**
Balance at 31 December 2022	**472**	**3,019**	**133**	**255**	**3,879**
Depreciation and impairment losses					
Balance at 1 January 2022	**(140)**	**(1,573)**	**(5)**	**(2)**	**(1,720)**
Effects of movements in foreign exchange rates	-	31	(1)	1	**31**
Transfers	-	72	(72)	-	**-**
Depreciation charge for the year	(21)	(262)	(10)	-	**(293)**
Disposals	-	96	1	1	**98**
Impairment losses recognised in profit or loss	(2)	(31)	-	-	**(33)**
Balance at 31 December 2022	**(163)**	**(1,667)**	**(87)**	**-**	**(1,917)**
Carrying amounts					
At 1 January 2022	**331**	**1,483**	**8**	**102**	**1,924**
At 31 December 2022	**309**	**1,352**	**46**	**255**	**1,962**

(1) Including right-of-use assets.
(2) Purchase of EP Power Grit.

In millions of EUR

	Land and buildings[1]	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2021	**435**	**2,869**	**11**	**35**	**3,350**
Effects of movements in foreign exchange rates	2	76	-	2	**80**
Additions	16	86	1	84	**187**
Additions through business combinations[2]	46	49	2	-	**97**
Disposals	(14)	(31)	(1)	(1)	**(47)**
Transfer to investment property	(18)	-	-	-	**(18)**
Revaluation[3]	3	-	-	-	**3**
Transfer to/from intangible assets	-	6	-	(14)	**(8)**
Transfers	1	1	-	(2)	**-**
Balance at 31 December 2021	**471**	**3,056**	**13**	**104**	**3,644**
Depreciation and impairment losses					
Balance at 1 January 2021	**(115)**	**(1,333)**	**(4)**	**(1)**	**(1,453)**
Effects of movements in foreign exchange rates	(3)	(22)	(1)	2	**(24)**
Depreciation charge for the year	(22)	(243)	(1)	(1)	**(267)**
Disposals	-	31	1	-	**32**
Impairment losses recognised in profit or loss	-	(6)	-	(2)	**(8)**
Balance at 31 December 2021	**(140)**	**(1,573)**	**(5)**	**(2)**	**(1,720)**
Carrying amounts					
At 1 January 2021	**320**	**1,536**	**7**	**34**	**1,897**
At 31 December 2021	**331**	**1,483**	**8**	**102**	**1,924**

(1) Including right-of-use assets.
(2) Purchase of EP Power Minerals Group and Kraftwerk Schkopau GrB.
(3) This balance relates to revaluation of land to fair value and subsequent transfer to investment property. Refer to note 16 – Investment property

IDLE ASSETS

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

SECURITY

As at 31 December 2022, property, plant and equipment with carrying value of EUR 564 million (2021: EUR 626 million) is subject to pledges from financial indebtedness and hedging transactions.

15. 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	**92**	**33**	**83**	**77**	**23**	**308**
Effect of movements in foreign exchange rates	(1)	(1)	(3)	(1)	(1)	**(7)**
Additions	-	2	1,266	-	13	**1,281**
Disposals	-	-	(1,189)	-	-	**(1,189)**
Additions through business combinations[1]	11	-	-	-	-	**11**
Transfer from tangible assets	-	3	-	-	-	**3**
Balance at 31 December 2022	**102**	**37**	**157**	**76**	**35**	**407**
Amortisation and impairment						
Balance at 1 January 2022	**(37)**	**(25)**	**-**	**(27)**	**(6)**	**(95)**
Effect of movements in foreign exchange rates	1	1	-	1	(1)	**2**
Amortisation for the year	-	(5)	-	(8)	(1)	**(14)**
Impairment losses recognised in profit or loss	(14)	-	-	-	-	**(14)**
Balance at 31 December 2022	**(50)**	**(29)**	**-**	**(34)**	**(8)**	**(121)**
Carrying amount						
At 1 January 2022	**55**	**8**	**83**	**50**	**17**	**213**
At 31 December 2022	**52**	**8**	**157**	**42**	**27**	**286**

(1) Acquisition of 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	**66**	**27**	**90**	**164**	**10**	**357**
Effect of movements in foreign exchange rates	1	2	2	3	(2)	**6**
Additions	-	4	371	-	8	**383**
Disposals	-	-	(380)	(90)	(3)	**(473)**
Additions through business combinations[1]	25	-	-	-	2	**27**
Transfer from tangible assets	-	-	-	-	8	**8**
Balance at 31 December 2021	**92**	**33**	**83**	**77**	**23**	**308**
Amortisation and impairment						
Balance at 1 January 2021	**(25)**	**(20)**	**-**	**(103)**	**(3)**	**(151)**
Effect of movements in foreign exchange rates	(1)	-	-	(1)	-	(2)
Amortisation for the year	-	(4)	-	(13)	(5)	**(22)**
Disposals	-	-	-	90	3	**93**
Impairment losses recognised in profit or loss	(11)	(1)	-	-	(1)	**(13)**
Balance at 31 December 2021	**(37)**	**(25)**	**-**	**(27)**	**(6)**	**(95)**
Carrying amount						
At 1 January 2021	**41**	**7**	**90**	**61**	**7**	**206**
At 31 December 2021	**55**	**8**	**83**	**50**	**17**	**213**

(1) Acquisition of EP Power Minerals Group.

In 2022, EPPE Group purchased emission allowances of EUR 1,036 million (2021: EUR 360 million). Remaining emission allowances were allocated to the Group by the respective authorities.

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

Other intangible assets comprise valuable rights and capacity market certificates.

All intangible assets, excluding goodwill, were recognised as assets with definite useful life.

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
Biomasse Crotone S.pA.	-	9
Biomasse Italia S.p.A.	16	16
EP Power Grit GmbH	11	-
Helmstedter Revier GmbH	-	5
EP Power Minerals GmbH	22	22
Kraftwerk Schkopau GbR	3	3
Total goodwill	**52**	**55**

In 2022, the balance of goodwill increased by EUR 11 million as a result of acquisition of EP Power Grit GmbH and decreased by EUR 14 million as a result of goodwill impairment recognized by 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. 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:

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% (2020: 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 8.88% 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 9 million was recognized due to the fact that subsidies for biomass production is 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 11 million impairment of goodwill). In addition, impairment to goodwill at Hemlstedter Revier GmbH of EUR 5 million was recognized as the operations in the company seized.

With exception to above mentioned entities the Group did not identify any 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.

16. Investment property

In millions of EUR

	31 December 2022	31 December 2021
Opening balance	19	-
Transfer from property, plant and equipment	-	18
Effects of movements in foreign exchange rate	(1)	1
Closing balance	**18**	**19**

SECURITY

As at 31 December 2022, no investment property is subject to pledges to secure bank loans (2021: EUR 0 million).

17. Equity accounted investees

The Group has the following investments in associates and joint ventures:

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2022 %	Carrying amount 31 December 2022
LEAG Group(1)	(2)	50.00	1,044
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
Greeinvest Energy, a.s.	Czech Republic	41.70	1
Total		**-**	**1,132**

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2021 %	Carrying amount 31 December 2021
LEAG Group(1)	(2)	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
Total		**-**	**950**

(1) Refer to Note 35 – Group entities for detail of entities included in LEAG Group.
(2) Country of incorporation varies, for details refer to Note 35 – Group entities.

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
LEAG Group	(1)	50.00	793
Ergosud S.p.A.	Italy	50.00	3
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	3
Greeninvest Energy, a.s.	Czech Republic	41.70	1
Total		**-**	**800**

(1) Country of incorporation varies, for details refer to Note 35 – Group entities

In millions of EUR

Associates and joint ventures	Country	Ownership 31 December 2021 %	Share of profit (loss) 2021
LEAG Group	(1)	50.00	(68)
Ergosud S.p.A.	Italy	50.00	-
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	5
Kraftwerk Schkopau GbR[2]	Germany	41.90	2
Total		-	**(61)**

(1) Country of incorporation varies, for details refer to Note 35 – Group entities.
(2) Represents share in profit for the period till 1 October 2021 when remaining 58.1% was acquired by the Group.

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.

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 comprehensiv income	Total comprehensive income	Assets	Liabilities	Equity
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	53	7	-	7	55	28	27
Fernwärme GmbH Hohenmölsen – Webau[1]	7	-	-	-	13	2	11
Ergosud S.p.A.	87	6	-	6	266	134	132
Greeninvest Energy, a.s.	4	2	-	2	19	-	19
Total	**151**	**15**	**-**	**15**	**353**	**164**	**189**

(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
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	24	31	20	8
Fernwärme GmbH Hohenmölsen – Webau[1]	12	1	1	1
Ergosud S.p.A.	179	87	45	89
Greeninvest Energy, a.s.	16	3	-	-
Total	**231**	**122**	**66**	**98**

(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 comprehensiv income	Total comprehensive income	Assets	Liabilities	Equity
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[1]	57	10	-	10	55	28	27
Fernwärme GmbH Hohenmölsen – Webau[1]	6	-	-	-	14	3	11
Ergosud S.p.A.	81	(1)	-	(1)	286	160	126
Total	**144**	**9**	**-**	**9**	**355**	**191**	**164**

(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
MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[(1)]	24	31	20	8
Fernwärme GmbH Hohenmölsen – Webau[(1)]	13	1	1	2
Ergosud S.p.A.	182	104	70	90
Total	**219**	**136**	**91**	**100**

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

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, The Group intends to separate energy transition assets from the EPPE 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.

18. Deferred tax assets and liabilities

RECOGNISED 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	72	(135)	(63)	77	(84)	(7)
Intangible assets	-	(15)	(15)	-	(18)	(18)
Right-of-use assets	3	-	3	-	-	-
Inventories	10	-	10	11	-	11
Trade receivables and other assets	2	(1)	1	-	-	-
Provisions	62	-	62	72	-	72
Employee benefits (IAS 19)	1	(17)	(16)	-	(7)	(7)
Tax losses	59	-	59	5	-	5
Derivatives	1,094	(1,172)	(78)	1,030	(1,048)	(18)
Other items	55	(11)	44	95	(55)	40
Subtotal	**1,358**	**(1,351)**	**7**	**1,290**	**(1,212)**	**78**
Set-off tax	(1,113)	1,113	-	(1,152)	1,152	-
Total	**245**	**(238)**	**7**	**138**	**(60)**	**78**

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 com-prehensive income	Effect of movements in foreign exchange rate	Transfer	Balance at 31 December 2022
Property, plant and equip.	(7)	(59)	-	3	-	(63)
Intangible assets	(18)	3	-	-	-	(15)
Right-of-use assets	-	3	-	-	-	3
Inventories	11	(1)	-	-	-	10
Loans and borrowings	-	(1)	-	-	-	(1)
Trade receivables	-	1	-	-	-	1
Provisions	72	(4)	(6)	-	-	62
Employee benefits (IAS 19)	(7)	3	(12)	-	-	(16)
Tax losses	5	54	-	-	-	59
Derivatives	(18)	(24)	(41)	2	3	(78)
Other	40	12	(3)	(1)	(3)	45
Total	**78**	**(13)**	**(62)**	**4**	**-**	**7**

In millions of EUR

Balances related to:	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other compre-hensive income	Effect of movements in foreign exchange rate	Acquired in business combina-tion[1]	Transfer	Balanc at 31 Decem-ber 2021
Property, plant and equipment	(60)	63	-	(4)	(6)	-	(7)
Intangible assets	(15)	(3)	-	-	-	-	(18)
Inventories	9	2	-	-	-	-	11
Provisions	84	(18)	(1)	(2)	9	-	72
Employee benefits (IAS 19)	(19)	2	(11)	-	-	21	(7)
Tax losses	5	-	-	-	-	-	5
Derivatives	(21)	10	(4)	-	-	(3)	(18)
Other	16	35	4	3	-	(18)	40
Total	**(1)**	**91**	**(12)**	**(3)**	**3**	**-**	**78**

(1) Acquisition of Kraftwerk Schkopau GbR. and EP Power Minerals GmbH.

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	1,155	1,239
Property, plant and equipment	60	-
Total	**1,215**	**1,239**

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
Humbly Grove Energy Limited	56	64
EP Resources AG	47	-
EP UK Investments Limited	-	11
EP Power Europe, a.s.	2	-
EP Netherlands B.V.	-	1
Total	**1,155**	**1,239**

A deferred tax asset that has not been recognised in respect of property, plant and equipment is fully attributable to EP NI Energy Limited.

Considering the nature of revenues and expenses, the companies do not expect significant taxable profit growth, so no deferred tax asset was recognised. If sufficient taxable profit were to be achieved in 2022, then the associated tax income (savings) would be up to EUR 299 million (2021: EUR 310 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:

	2023	2024	2025	2026	After 2026	Total
Tax losses	1	-	2	-	1,152	**1,155**

Tax losses expire over a period of 5 years in the Czech Republic, 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.

19. Inventories

In millions of EUR

	31 December 2022	31 December 2021
Inventories for trading held at fair value	267	322
Fossil fuel	413	96
Spare parts	66	76
Raw material and supplies	52	61
Overburden	30	13
Finished goods and merchandise	166	47
Extracted minerals and mineral products	5	7
Work in progress	2	1
Total	**1,001**	**623**

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 were subject to pledges (2021: EUR 41 million).

20. Trade receivables and other assets

In millions of EUR

	31 December 2022	31 December 2021
Trade receivables	1,978	851
Uninvoiced supplies	243	171
Margin of stock exchange derivatives	1,605	1,548
Value added tax receivables	243	159
Other advance payments	257	132
Advance payments for long-term tangible and intangible assets	297	117
Other tax receivables	9	19
Subsidies related to renewable energy	47	40
Other accrued income	58	165
Estimated receivables	269	31
Other receivables and assets	143	113
Receivables from emission rights granted free-of-charge	61	227
Defined benefit assets in excess of obligations	43	15
Allowance for bad debts	(24)	(17)
Total	**5,229**	**3,571**
Non-current	387	82
Current	4,842	3,489
Total	**5,229**	**3,571**

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 5,202 million are not past due (2021: EUR 3,542 million), remaining balance of EUR 27 million is overdue (2021: EUR 29 million).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables excluding construction work in progress is disclosed in Note 33 – Risk management policies and disclosures.

21. Cash and cash equivalents

In millions of EUR

	31 December 2022	31 December 2021
Current accounts with banks	1,243	1,741
Total	**1,243**	**1,741**

As at 31 December 2022, cash equivalents of EUR 124 million are subject to pledges (2021: EUR 170 million) in case the Group defaults on some of its indebtedness. As such, pledged cash is readily available and is not classified as restricted.

22. 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 and restricted cash held for the officially prescribed disposal of an unwanted waste by EP Power Minerals GmbH.

As at 31 December 2021, balance of restricted cash included also EUR 11 million cash on debt service reserve account by EP UK Finance Limited.

As at 31 December 2022 no restricted cash is subject to pledges (2021: EUR 16 million).

23. Equity

SHARE CAPITAL AND SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2022 consisted of 117,631 ordinary shares with a par value of CZK 200 thousand each (2021: 117,631 shares with a par value of CZK 200 thousand each).

The shareholders are entitled to receive dividends and to cast 1 vote per 200 thousand CZK share at meetings of the Company's shareholders.

31 DECEMBER 2022

	Number of shares	Ownership	Voting rights
		%	%
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
Total		**100.00**	**100.00**

31 DECEMBER 2021

	Number of shares	Ownership	Voting rights
		%	%
Energetický a průmyslový holding, a.s.	117,631	100.00	100.00
Total		**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
Shares outstanding at the beginning of the year	117,631
Shares outstanding at the end of the year	**117,631**

	Number of shares 2021
Shares outstanding at the beginning of the year	117,631
Shares outstanding at the end of the year	**117,631**

Reserves recognised in equity comprise the following items:

In millions of EUR

	31 December 2022	1 January 2022*	31 December 2021
Hedging reserve			
Other capital funds from capital contributions(1)	281	211	200
Non-distributable reserves	15	13	12
Translation reserve	(28)	10	4
Fair value reserve	120	17	10
Other capital reserves	(908)	(908)	(862)
Revaluation reserve	3		3
Total	**(98)**	**(355)**	**(338)**

* 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).

(1) This balance includes non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding, a.s. in amount of EUR 70 million (2021: EUR 85 million).

OTHER CAPITAL RESERVES

As stated in section 3 (b) vii – Pricing differences, the Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired entities and its subsidiaries and associates were under common control of Energetický a průmyslový holding, a.s. they were therefore excluded from the 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 treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the consideration paid by the EPPE Group and carrying values of net assets of the acquiree and original goodwill carried forward as at the date of acquisition by the EPPE Group were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity.

On 8 January 2021 EPPE acquired from EPH 100% share in EP Resources CZ a.s. (and its subsidiary EP Resources PL S.A.). As the company was previously ultimately controlled by EPH the transaction was treated as a business combination under common control. The effect from the transaction had negative impact on Other capital reserves in amount of EUR 14 million.

NON-DISTRIBUTABLE RESERVES

The legal reserve of EUR 15 million was reported as at 31 December 2022 (2021: EUR 12 million). The movement was caused by the change in the functional currency and by the transfer from retained earnings.

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).

FAIR VALUE RESERVE

The fair value reserve represents mainly the effect from revaluation of provisions for long-term employee benefits and assets in accordance with IAS19..

REVALUATION RESERVE

The revaluation reserve represents mainly the effect from the revaluation of the investment property held by the companies within the Group.

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 29 – Financial instruments and Note 33 – Risk management policies and disclosure).

24. Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share in EUR per 1 share of CZK 200,000 nominal value equal 22,214 (2021: 4,293).

The calculation of basic earnings per share as at 31 December 2022 was based on a profit attributable to ordinary shareholders of EUR 2,613 million (2021: EUR 505 million), and a weighted average number of ordinary shares outstanding of 117,631 (2021: 117,631).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2022

In millions of shares

	Nominal	Weighted
Issued ordinary shares at the beginning of the year	117,631	117,631
Total	**117,631**	**117,631**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES 2021

In millions of shares

	Nominal	Weighted
Issued ordinary shares at the beginning of the year	117,631	117,631
Total	**117,631**	**117,631**

DILUTIVE EARNINGS PER SHARE

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

25. Non-controlling interest

31 DECEMBER 2022

In millions of EUR

	EP Produzione Centrale Livorno Ferraris S.p.A.	JTSD – Braunkohle-bergbau GmbH, its subsidiaries and associates	Tynagh Energy Limite	EP New Energy Italia S.r.l., its subsidiaries and associates	Other individually immaterial subsidiaries	Total
Non-controlling percentage	25.00%	10.00%	20.00%	24.50%		
Business activity	Production of electricity and heat	Coal mining and production of electricity	Production of electricity	Production of electricity		
Country	Italy	Germany	Ireland	Italy		
Carrying amount of NCI at 31 De-cember 2022	**40**	**9**	**23**	**24**	**-**	**96**
Profit (loss) attributable to non-controlling interest	**-**	**8**	**6**	**9**	**2**	**25**
Dividends declared	**-**	**-**	**-**	**(8)**	**(1)**	**(9)**
Statement of financial position in-formation[(1)]						
Total assets	246	731	130	236		
of which: non-current	*114*	*466*	*83*	*73*		
current	*132*	*265*	*47*	*163*		
Total liabilities	87	612	35	157		
of which: non-current	*8*	*424*	*-*	*57*		
current	*79*	*188*	*35*	*100*		
Net assets	**159**	**119**	**95**	**79**		
Statement of comprehensive income in-formation[(1)]						
Total revenues	829	470	466	239		
of which: dividends received	-	-	-	-		
Profit after tax	(1)	80	30	38		
Total comprehensive income for the year[(1)]	**(1)**	**80**	**30**	**38**		
Net cash inflows (outflows)[(1)]	**39**	**18**	**8**	**38**		

(1) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.

31 DECEMBER 2021

In millions of EUR

	EP Produzione Centrale Livorno Ferraris S.p.A.	JTSD – Braunkohle-bergbau GmbH, its subsidiaries and associate	Tynagh Energy Limited	EP New Energy Italia S.r.l., its subsidiaries and associates	Other individually immaterial subsidiaries	Total
Non-controlling percentage	25.00%	10.00%	20.00%	24.50%		
Business activity	Production of electricity and heat	Coal mining and production of electricity	Production of electricity	Production of electricity		
Country	Italy	Germany	Ireland	Italy		
Carrying amount of NCI at 31 De-cember 2021	**40**	**5**	**17**	**16**	**(1)**	**77**
Profit (loss) attributable to non-controlling interest	**2**	**(1)**	**7**	**11**	**(1)**	**18**
Dividends declared	**-**	**-**	**(3)**	**(6)**	**(1)**	**(10)**
Statement of financial position in-formation[(1)]						
Total assets	349	649	106	251		
of which: non-current	*124*	*497*	*77*	*117*		
current	*225*	*152*	*29*	*134*		
Total liabilities	187	564	24	182		
of which: non-current	*10*	*411*	*3*	*80*		
current	*177*	*153*	*21*	*102*		
Net assets	**162**	**85**	**82**	**69**		
Statement of comprehensive income in-formation[(1)]						
Total revenues	592	388	314	212		
of which: dividends received	-	-	-	-		
Profit after tax	6	(11)	34	57		
Total comprehensive income for the year[(1)]	**6**	**(11)**	**34**	**57**		
Net cash inflows (outflows)[(1)]	**(25)**	**18**	**5**	**(10)**		

(1) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.

26. Loans and borrowings

In millions of EUR

	31 December 2022	31 December 2021
Loans payable to credit institutions	138	76
Loans payable to other than credit institutions	1,092	1,462
of which loans payable to sole shareholder	*1,087*	*1,454*
Revolving credit facility	84	377
Factoring loans	100	43
Lease liabilities	35	20
Total	**1,449**	**1,978**
Non-current	301	261
Current	1,148	1,717
Total	**1,449**	**1,978**

The weighted average interest rate on loans for 2022 was 1.76% (2021: 1.50%).

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*	2027	88	6	82	-
Secured bank loan	EUR	variable*	2025	50	17	33	-
Unsecured loan	EUR	variable*	2023	350	330	20	-
Unsecured loan	GBP	fixed	2024	690	545	145	-
Unsecured loan	PLN	fixed	2023	20	20	-	-
Unsecured loan	CZK	fixed	2024	21	21	-	-
Unsecured loan	EUR	fixed	2025	11	5	6	-
Revolving credit facility	USD	variable*	2023	84	84	-	-
Factoring loan	EUR	variable*	2023	97	97	-	-
Factoring loan	EUR	fixed	2023	3	3	-	-
Lease liabilities	-	-	-	35	20	8	7
Total interest-bearing liabilities				**1,449**	**1,148**	**294**	**7**

* Variable interest rate is derived as EURIBOR 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*	2023	11	6	5	-
Secured bank loan	EUR	variable*	2025	65	15	50	-
Unsecured loan	GBP	fixed	2024	1,337	1,188	149	-
Unsecured loan	CZK	fixed	2024	45	31	14	-
Unsecured loan	EUR	fixed	2025	33	26	7	-
Unsecured loan	USD	fixed	2022	27	27	-	-
Unsecured loan	PLN	fixed	2023	20	2	18	-
Revolving credit facility	EUR	variable*	2025	320	320	-	-
Revolving credit facility	USD	fixed	2022	22	22	-	-
Revolving credit facility	USD	variable*	2022	35	35	-	-
Factoring loan	EUR	fixed	2022	5	5	-	-
Factoring loan	EUR	variable*	2022	38	38	-	-
Lease liabilities	-	-	-	20	2	13	5
Total interest-bearing liabilities				**1,978**	**1,717**	**256**	**5**

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

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
Loans payable to credit institutions	138	138	76	91
Loans payable to other than credit institutions	1,092	1,108	1,462	1,486
Revolving credit facility	84	83	377	378
Factoring loans	100	100	43	44
Lease liabilities	35	35	20	20
Total	**1,449**	**1,464**	**1,978**	**2,019**

Interest-bearing instruments held at amortised costs are categorised within Level 2 or Level 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2(e) i – Assumption and estimation uncertainties).

Loans and borrowings

SIGNIFICANT INVESTING AND FINANCING ACTIVITIES NOT REQUIRING CASH

In millions of EUR

	31 December 2022	31 December 2021
Investing activities	13	73
Financing activities	-	-
Total	**13**	**73**

For the year 2022 investing activity include set-off of loan against dividends to EPH amounting EUR 13 million (2021: EUR 73 million).

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES

In millions of EUR

	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Lease liabilities	Share capital/ premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 31 December 2021	**76**	**1,462**	**377**	**43**	**20**	**905**	**(338)**	**1,556**	**77**	**4,178**
Effect of change in functional currency	-	-	-	-	-	*41*	*(17)*	*(24)*	-	**-**
Adjustment on initial application of IAS 37 amendment to onerous contract	-	-	-	-	-	-	-	*(173)*	-	***(173)***
Balance at 1 January 2022	**76**	**1,462**	**377**	**43**	**20**	**946**	**(355)**	**1,359**	**77**	**4,005**
Changes from financing cash flows										
Contribution to equity from shareholders	-	*(8)	-	-	-	-	70	-	-	**62**
Proceeds from loans and borrowings	81	2,534	184	128	-	-	-	-	-	**2,927**
Repayment of borrowings	(22)	(2,875)	(481)	(71)	-	-	-	-	-	**(3,449)**
Payment of lease liabilities	-	-	-	-	(39)	-	-	-	-	**(39)**
Dividend paid(1)	-	-	-	-	-	-	-	(136)	(1)	**(137)**
Total change from financing cash flows	**59**	**(349)**	**(297)**	**57**	**(39)**	**-**	**70**	**(136)**	**(1)**	**(636)**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	-	1	(1)	**-**
Total effect of changes in foreign exchange rates	3	(40)	4	-	(1)	-	(38)	-	-	**(72)**
Other changes										
Liability related										
Interest expense	1	22	21	2	1	-	-	-	-	**47**
Interest paid	(1)	(3)	(21)	(2)	-	-	-	-	-	**(27)**
Lease liability	-	-	-	-	54	-	-	-	-	**54**
Total liability-related other changes	-	19	-	-	55	-	-	-	-	**74**
Total equity-related other changes	-	-	-	-	-	-	225	2,612	21	**2,858**
Balance at 31 December 2022	**138**	**1,092**	**84**	**100**	**35**	**946**	**(98)**	**3,836**	**96**	**6,229**

* This balance relates to non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding, a.s.

(1) Dividend paid does not include dividend paid to equity accounted investees in amount of EUR 7 million as it has no impact on the items presented in the table.

Loans and borrowings

In millions of EUR

	Loans from credit institutions	Loans from other than credit institutions	Revolving credit facility	Factoring loans	Lease liabilities	Share capital/ premium	Reserves	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2021 (restated)[1]	**450**	**430**	**103**	**24**	**12**	**905**	**(519)**	**1,148**	**69**	**2,622**
Changes from financing cash flows										
Contribution to equity from shareholders	-	*(30)	-	-	-	-	71	-	-	**41**
Proceeds from loans and borrowings	15	1,154	376	174	-	-	-	-	-	**1,719**
Repayment of borrowings	(397)	(169)	(102)	(155)	-	-	-	-	-	**(823)**
Payment of lease liabilities	-	-	-	-	(4)	-	-	-	-	**(4)**
Dividend paid[1]	-	-	-	-	**-**	**-**	**-**	**(36)**	**(15)**	**(51)**
Total change from financing cash flows	**(381)**	**954**	**274**	**19**	(4)	-	71	(36)	(15)	**882**
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	2	-	-	(1)	-	**1**
Total effect of changes in foreign exchange rates	9	58	-	-	(2)	-	19	3	-	87
Other changes										
Liability related										
Interest expense	6	20	4	1	-	-	-	-	-	**31**
Interest paid	(8)	-	(4)	(1)	-	-	-	-	-	**(13)**
Lease liability	-	-	-	-	12	-	-	-	-	**12**
Liability from dividends not paid	-	-	-	-	-	-	-	-	5	**5**
Set-off with loans provided	-	-	-	-	**-**	**-**	**-**	**(73)**	**-**	**(73)**
Total liability-related other changes	**(2)**	**20**	**-**	**-**	**12**	**-**	**-**	**(73)**	**5**	**(38)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**91**	**515**	**18**	**624**
Balance at 31 December 2021	**76**	**1,462**	**377**	**43**	**20**	**905**	**(338)**	**1,556**	**77**	**4,178**

* This balance relates to non-cash contribution caused by prolongation of interest-free loan received by EP Power Europe, a.s. from Energetický a průmyslový holding, a.s.

(1) Dividend paid does not include dividend paid to equity accounted investees in amount of EUR 6 million as it has no impact on the items presented in the table

27. Provisions

In millions of EUR

	Employee benefits	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restora-tion and decommis-sioning[3]	Other	Total
Balance at 1 January 2022	**234**	**1,200**	**70**	**26**	**1,021**	**48**	**2,599**
Acquisitions through business combinations[1]	-	-	-	-	1	-	**1**
Provisions made during the year	7	1,409	12	2	48	38	**1,516**
Provisions used during the year	(23)	(1,189)	(17)	(2)	(40)	(8)	**(1,279)**
Provisions reversed during the year	(6)	-	(30)	(4)	(25)	(5)	**(70)**
Actuarial gains/losses	(80)	-	-	-	-	-	**(80)**
Change in provision recorded in property, plant and equipment	-	-	-	-	(11)	-	**(11)**
Transfer	-	1	1	-	-	(1)	**1**
Unwinding of discount[2]	3	-	-	-	(10)	-	**(7)**
Effects of movements in foreign exchange rate	-	(15)	(2)	-	(2)	-	**(19)**
Balance at 31 December 2022	**135**	**1,406**	**34**	**22**	**982**	**72**	**2,651**
Non-current	*104*	*-*	*1*	*18*	*865*	*9*	***997***
Current	*31*	*1,406*	*33*	*4*	*117*	*63*	***1,654***

(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 174 million represents asset retirement costs recorded by Gazel Energie Generation S.A.S. Remaining balance of EUR 154 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	Other	Total
Balance at 1 January 2021	**311**	**355**	**77**	**44**	**947**	**47**	**1,781**
Acquisitions through business combinations[1]	43	-	-	-	56	3	**102**
Provisions made during the year	35	1,214	17	3	63	9	**1,341**
Provisions used during the year	(14)	(380)	(29)	(8)	(26)	(13)	**(470)**
Provisions reversed during the year	(28)	-	(1)	(13)	(27)	(7)	**(76)**
Actuarial gains/losses	(115)	-	-	-	-	-	**(115)**
Unwinding of discount[2]	1	-	-	-	4	-	**5**
Effects of movements in foreign exchange rate	1	11	6	-	4	9	**31**
Balance at 31 December 2021	**234**	**1,200**	**70**	**26**	**1,021**	**48**	**2,599**
Non-current	*219*	*28*	*48*	*22*	*930*	*31*	***1,278***
Current	*15*	*1,172*	*22*	*4*	*91*	*17*	***1,321***

(1) The purchase of EP Power Minerals Group and Kraftwerk Schkopau GbR.
(2) Unwinding of discount is included in interest expense.

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 135 million (2021: EUR 234 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, EP Ballylumford Limited, EP Produzione Centrale Livorno Ferraris S.P.A., EP Produzione S.P.A. and Fiume Santo S.P.A.

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 and 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	**(2)**	**(27)**
Early Retirement		
Present value of obligations	(1)	(4)
Total employee benefit	**(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	**(20)**	**(31)**
Plan B		
Fair value of plan asset	-	-
Present value of obligations	(2)	(2)
Total employee benefit	**(2)**	**(2)**
Plan C		
Fair value of plan asset	-	-
Present value of obligations	(52)	(70)
Total employee benefit	**(52)**	**(70)**
Plan D		
Fair value of plan asset	-	-
Present value of obligations	(1)	(1)
Total employee benefit	**(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).

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 23 million relates mainly to litigations and claims described in Note 36 – Litigations and claims (refer to note 36 – Litigations and claims for more details).

As disclosed in Note 36 – 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 981 million (2021: EUR 1,021 million) was primarily recorded by entities in Germany (EUR 535 million, 2021: EUR 524 million), France (EUR 181 million, 2021: EUR 213 million), Italy (EUR 194 million, 2021: EUR 205 million) and in UK (EUR 71 million, 2021: EUR 79 million).

I. GERMANY (JTSD – BRAUNKOHLEBERGBAU GMBH AND ITS SUBSIDIARIES)

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 operations 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 JTSD – Braunkohlebergbau GmbH is based on the recommendations of The German Commission on Growth, Structural change and Employment („coal commission“) from 26 January 2019 which proposes a gradual reduction and closure of all coal-fired power plants and subsequently strip mines in Germany by 2035.

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

As at 31 December 2022, the provision recognised by EP Produzione S.p.A. and Fiume Santo S.p.A. in 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 health and safety risk in amount of EUR 7 million (2021: EUR 8 million) recorded by EP Produzione S.p.A. that represents potential liabilities to personnel arising from exposure to asbestos fibres.

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 1 million (2021: EUR 4 million), that represents potential liabilities arising from regulatory rules for Fiume Santo plant.

Estimated costs are adjusted by expected future inflation (0.81% for 2022; 2021: 0.14%) and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate of 2.52% (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.

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)

III. 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)

IV. 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.

28. Deferred income

Balance of other deferred income in amount of EUR 44 million (2021: EUR 13 million) is mainly represented by Gazel Energie Generation S.A.S. of EUR 19 million (2021: EUR 6 million) and Gazel Energie Solutions S.A.S. of EUR 19 million (2021: EUR 6 million).

The deferred income is associated with capacity market payments, which will be recognised in P&L after the utilization of capacity in the following years.

29. 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	1,138	630
of which loans provided by Company to sole shareholder	*1,109*	*617*
Other term deposits	13	13
Total	**1,151**	**643**
Assets carried at fair value		
Hedging: *of which*	826	418
Commodity derivatives cash flow hedge	*821*	*416*
Currency forwards cash flow hedge	-	*2*
Interest rate swaps cash flow hedge	*5*	-
Risk management purpose: *of which*	5,439	4,031
Commodity derivatives reported as trading	*5,436*	*4,029*
Interest rate derivatives reported as trading	-	*2*
Other derivatives reported as trading	*3*	
Equity instruments at fair value through OCI: *of which*	83	71
Shares and interim certificates at fair value through OCI	83	71
Equity instruments at fair value through PL: *of which*	8	-
Shares at fair value through PL	8	-
Total	**6,356**	**4,520**
Non-current	753	600
Current	6,754	4,563
Total	**7,507**	**5,163**

FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In millions of EUR

	31 December 2022	31 December 2021
Liabilities carried at amortised cost	**9**	**-**
Other financial liabilities	9	-
Total	**9**	**-**
Liabilities carried at fair value		
Hedging: *of which*	544	660
Commodity derivatives cash flow hedge	544	660
Risk management purpose: *of which*	4,500	4,878
Commodity derivatives reported as trading	4,456	4,869
Interest rate derivatives reported as trading	*38*	*8*
Currency forwards reported as trading	-	1
Other derivatives reported as trading	6	-
Total	**5,044**	**5,538**
Non-current	481	536
Current	4,572	5,002
Total	**5,053**	**5,538**

The weighted average interest rate on loans to other than credit institutions for 2022 was 2.02% (2021: 2.18%).

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

In millions of EUR

	31 December 2022			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	2,905	(2,645)	826	(544)
Currency forwards cash flow hedge	*30*	*(30)*	-	-
Commodity derivatives cash flow hedge	*2,869*	*(2,614)*	*821*	*(544)*
Interest rate swaps cash flow hedge	*6*	*(1)*	*5*	-
Risk management purpose: *of which*	14,774	(12,992)	5,439	(4,500)
Commodity derivatives reported as trading	*14,017*	*(12,231)*	*5,436*	*(4,456)*
Interest rate swaps reported as trading	*143*	*(143)*	-	*(38)*
Currency forwards reported as trading	*9*	*(10)*	-	-
Other derivatives reported as trading	*605*	*(608)*	*3*	*(6)*
Total	**17,679**	**(15,637)**	**6,265**	**(5,044)**

In millions of EUR

	31 December 2021			
	Nominal amount buy	Nominal amount sell	Positive fair value	Negative fair value
Hedging: *of which*	2,016	(2,362)	418	(660)
Currency forwards cash flow hedge	*746*	*(761)*	*2*	-
Commodity derivatives cash flow hedge	*1,222*	*(1,553)*	*416*	*(660)*
Interest rate swaps cash flow hedge	*48*	*(48)*	-	-
Risk management purpose: *of which*	9,272	(10,108)	4,031	(4,878)
Commodity derivatives reported as trading	*9,035*	*(9,871)*	*4,029*	*(4,869)*
Interest rate swaps reported as trading	*151*	*(151)*	*2*	*(8)*
Currency forwards reported as trading	*86*	*(86)*	-	*(1)*
Total	**11,288**	**(12,470)**	**4,449**	**(5,538)**

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 33 – Risk management policies and disclosures.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

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

In millions of EUR

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	826	-	**826**
Commodity derivatives cash flow hedge	-	*821*	-	***821***
Interest rate swaps cash flow hedge	-	*5*	-	***5***
Risk management purpose: *of which*	-	5,439	-	**5,439**
Commodity derivatives reported as trading	-	*5,436*	-	***5,436***
Other derivatives reported as trading	-	*3*	-	***3***
Equity instruments at fair value through OCI: *of which*	-	-	83	**83**
Shares and interim certificates at fair value through OCI	-	-	*83*	***83***
Equity instruments at fair value through PL: *of which*	8	-	-	**8**
Shares at fair value through PL	8	-	-	***8***
Total	**8**	**6,265**	**83**	**6,356**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	544	-	**544**
Commodity derivatives cash flow hedge	-	*544*	-	***544***
Risk management purpose: *of which*	-	4,500	-	**4,500**
Commodity derivatives reported as trading	-	*4,456*	-	***4,456***
Interest rate derivatives reported as trading	-	*38*	-	***38***
Other derivatives reported as trading	-	*6*	-	***6***
Total	**-**	**5,044**	**-**	**5,044**

In millions of EUR

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	418	-	**418**
Currency forwards cash flow hedge	-	*2*		***2***
Commodity derivatives cash flow hedge	-	*416*	-	***416***
Risk management purpose: *of which*	-	4,031	-	**4,031**
Commodity derivatives reported as trading	-	*4,029*	-	***4,029***
Interest rate derivatives reported as trading	-	*2*	-	***2***
Equity instruments at fair value through OCI: *of which*	-	-	71	**71**
Shares and interim certificates at fair value through OCI	-	-	*71*	***71***
Total	**-**	**4,449**	**71**	**4,520**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	660	-	**660**
Commodity derivatives cash flow hedge	-	*660*	-	***660***
Risk management purpose: *of which*		4,878	-	**4,878**
Commodity derivatives reported as trading	-	*4,869*	-	***4,869***
Interest rate derivatives reported as trading	-	*8*	-	***8***
Currency forwards reported as trading	-	*1*	-	***1***
Total	**-**	**5,538**	**-**	**5,538**

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	**Fair value**
	31 December 2022	**31 December 2022**
Financial assets		
Loans to other than credit institutions	1,138	1,139
Other term deposits	13	13
Total	**1,151**	**1,152**

In millions of EUR

	Carrying value	Fair value
	31 December 2021	31 December 2021
Financial assets		
Loans to other than credit institutions	630	642
Other term deposits	13	13
Total	**643**	**655**

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).

The fair value of trade receivables and other assets and trade payables is equal to their carrying amount.

TRANSACTIONS WITH EMISSION RIGHTS NOT RECOGNISED 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 EPPE Group is contractually obliged to purchase 22,650,058 pieces (2021: 19,075,000 pieces) of emission rights at an average price 82.11 EUR/piece (2021: 64.02 EUR/piece) with delivery between 2023 and 2024.

30. Trade payables and other liabilities

In millions of EUR

	31 December 2022	31 December 2021
Trade payables	1,787	480
Estimated payables	57	532
Accrued expenses	437	207
Other tax liabilities	107	135
Margin of stock exchange derivatives	862	416
Uninvoiced supplies	397	113
Advance payments received	72	22
Payroll liabilities	82	63
Retentions due to contractors	5	2
Other liabilities	319	38
Total	**4,125**	**2,008**
Non-current	139	11
Current	3,986	1,997
Total	**4,125**	**2,008**

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

As at 31 December 2022 and 31 December 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.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 33 – Risk management policies and disclosures.

31. Financial commitments and contingencies

OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2022	31 December 2021
Commitments	2,023	1,579
Granted pledges – securities	529	522
Other granted pledges	1,361	1,490
Total	**3,913**	**3,591**

Granted pledges represent securities of individual Group companies used as collateral for external financing.

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 for future purchase of emission rights of EUR 1,860 million (2021: EUR 1,221 million) recognized by EP Produzione S.p.A., MIBRAG, Saale Energie GmbH, Kraftwerk Mehrum GmbH, EP France Group and EPUKI Group. 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[(1)]	124	186
Inventories	35	41
Total	**1,361**	**1,490**

(1) Pledged cash and cash equivalents in 2021 included pledged restricted cash in amount of EUR 16 million.

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	874	287
Other received guarantees and warranties	-	9
Total	**874**	**296**

RECEIVED PROMISES

Received promises comprise the loan commitments received by the various companies within the Group.

OTHER RECEIVED GUARANTEES AND WARRANTIES

Other received guarantees and warranties in 2021 mainly consisted of payment guarantees.

32. Leases

A LEASES AS A LESSEE

The Group leases land, buildings, various items of machinery 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 14).

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 January 2022	**14**	**4**	**18**
Depreciation charge for the year	(3)	(36)	(39)
Additions to right-of-use assets	2	52	54
Balance at 31 December 2022	**13**	**20**	**33**

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 January 2021	**8**	**2**	**10**
Depreciation charge for the year	(2)	(2)	(4)
Additions to right-of-use assets	9	3	12
Additions in business combinations	1	1	2
Disposals	(1)	(1)	(2)
Effect of movements in foreign exchange rate	(1)	1	-
Balance at 31 December 2021	**14**	**4**	**18**

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	6	-
3 months to 1 year	13	3
1–5 years	10	15
Over 5 years	5	2
Total undiscounted contractual cash flows	**34**	**20**
Carrying amount	**35**	**20**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2022	2021
Depreciation charge for the year	(39)	(4)
Expenses related to short-term leases	(5)	(2)
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	(3)	(3)

AMOUNTS RECOGNIZED IN STATEMENT OF CASH FLOWS

In millions of EUR

	2022	2021
Total cash outflow for leases	(39)	(4)

B LEASES AS A LESSOR

OPERATING LEASE

During the year ended 31 December 2022, EUR 3 million (2021: EUR 2 million) was recognised as income in profit or loss in respect of operating leases.

33. Risk management policies and disclosures

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate, 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 company, and thus has a specific customer structure. 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 incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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	-	-	-	1,243	-	-	**1,243**
Restricted cash	-	-	-	37	-	-	**37**
Trade receivables and other assets	3,873	285	80	898	93	-	**5,229**
Financial instruments and other financial assets	6,357	13	1,110	27	-	-	**7,507**
Total	**10,230**	**298**	**1,190**	**2,205**	**93**	**-**	**14,016**

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	-	-	-	1,741	-	-	**1,741**
Restricted cash	-	-	-	22	-	-	**22**
Trade receivables and other assets	3,153	375	1	21	21	-	**3,571**
Financial instruments and other financial assets	4,491	-	617	55	-	-	**5,163**
Total	**7,644**	**375**	**618**	**1,839**	**21**	**-**	**10,497**

CREDIT RISK BY LOCATION OF DEBTOR

AS AT 31 DECEMBER 2021

In millions of EUR

	Czech Republic	Italy	Germany	United Kingdom	France	Slovakia	Switzer-land	Other	Total
Assets									
Cash and cash equivalents	63	425	105	164	104	138	113	131	**1,243**
Restricted cash	-	-	12	20	-	-	-	5	**37**
Trade receivables and other assets	65	923	1,128	1,822	495	14	438	344	**5,229**
Financial instruments and other financial assets	1,555	199	607	1,154	2,985	474	176	357	**7,507**
Total	**1,683**	**1,547**	**1,852**	**3,160**	**3,584**	**626**	**727**	**837**	**14,016**

AS AT 31 DECEMBER 2021

In millions of EUR

	Czech Republic	Italy	Germany	United Kingdom	France	Slovakia	Switzer-land	Other	Total
Assets									
Cash and cash equivalents	98	582	92	852	45	-	55	17	**1,741**
Restricted cash	-	-	2	20	-	-	-	-	**22**
Trade receivables and other assets	56	752	627	890	271	15	31	929	**3,571**
Financial instruments and other financial assets	1,028	56	723	650	2,344	167	95	100	**5,163**
Total	**1,182**	**1,390**	**1,444**	**2,412**	**2,660**	**182**	**181**	**1,046**	**10,497**

As at 31 December 2022, location Other comprises mainly debtors located in Luxembourg, Croatia and Netherlands (2021: Luxembourg, Ireland 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 asset 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 info see Note 3(i).

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The following table provides information about the changes in the loss allowance during the year 2021.

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	**(11)**	**-**	**(6)**	**-**	**(17)**
Impairment losses recognised during the year	(12)	(2)	-	-	**(14)**
Reversal of impairment losses during the year	3	-	3	-	**6**
Effect of movements in foreign exchange rate	-	-	1	-	**1**
Balance at 31 December 2022	**(20)**	**(2)**	**(2)**	**-**	**(24)**

The most significant change which contributed to change in the loss allowance during the period was mainly reversal of impairment loss of a trade receivable created in previous year as the uncertainty connected to the collection of the receivable has been rebutted.

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)**	**-**	**(1)**	**-**	**(5)**
Impairment losses recognised during the year	(8)	-	(6)	-	**(14)**
Reversal of impairment losses during the year	1	-	1	-	**2**
Write-offs	2	-	-	-	**2**
Effect of movements in foreign exchange rate	(2)	-	-	-	**(2)**
Balance at 31 December 2021	**(11)**	**-**	**(6)**	**-**	**(17)**

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

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Restated balance at 1 January 2022	**-**	**-**	**(17)**	**(17)**
Impairment losses recognised during the year	-	-	(14)	**(14)**
Reversals of impairment losses recognised during the year	-	-	6	**6**
Effect of movements in foreign exchange rate	-	-	1	**1**
Balance at 31 December 2022	**-**	**-**	**(24)**	**(24)**

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

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
Restated balance at 1 January 2021	**-**	**-**	**(5)**	**(5)**
Impairment losses recognised during the year	-	-	(14)	**(14)**
Reversals of impairment losses recognised during the year	-	-	2	**2**
Write-offs	-	-	2	**2**
Effect of movements in foreign exchange rate	-	-	(2)	**(2)**
Balance at 31 December 2021	**-**	**-**	**(17)**	**(17)**

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

	Loans to other than credit institutions	Other short-term deposits (intended for investing activities)	Trade receivables and other assets	Total
Before maturity (net)	1,138	13	5,202	**6,353**
After maturity (net)	-	-	27	**27**
Total	**1,138**	**13**	**5,229**	**6,380**
A – Assets (gross)				
– before maturity	1,138	13	5,222	**6,373**
– after maturity <30 days	-	-	4	**4**
– after maturity 31–180 days	-	-	19	**19**
– after maturity 181–365 days	-	-	8	**8**
– after maturity >365 days	-	-	-	**-**
Total assets (gross)	**1,138**	**13**	**5,253**	**6,404**
B – Loss allowance for assets				
– before maturity	-	-	(20)	**(20)**
– after maturity <30 days	-	-	-	**-**
– after maturity 31–180 days	-	-	(4)	**(4)**
– after maturity 181–365 days	-	-	-	**-**
– after maturity >365 days	-	-	-	**-**
Total loss allowance	**-**	**-**	**(24)**	**(24)**
Total assets (net)	**1,138**	**13**	**5,229**	**6,380**

AS AT 31 DECEMBER 2021

In millions of EUR

	Loans to other than credit institutions	Other short-term deposits (intended for investing activities)	Trade receivables and other assets	Total
Before maturity (net)	627	13	3,542	**4,182**
After maturity (net)	3	-	29	**32**
Total	**630**	**13**	**3,571**	**4,214**
A – Assets (gross)				
– before maturity	627	13	3,550	**4,190**
– after maturity <30 days	-	-	15	**15**
– after maturity 31–180 days	3	-	20	**23**
– after maturity 181–365 days	-	-	3	**3**
– after maturity >365 days	-	-	-	**-**
Total assets (gross)	**630**	**13**	**3,588**	**4,231**
B – Loss allowance for assets				
– before maturity	-	-	(8)	**(8)**
– after maturity <30 days	-	-	-	**-**
– after maturity 31–180 days	-	-	(7)	**(7)**
– after maturity 181–365 days	-	-	(2)	**(2)**
– after maturity >365 days	-	-	-	**-**
Total loss allowance	**-**	**-**	**(17)**	**(17)**
Total assets (net)	**630**	**13**	**3,571**	**4,214**

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.

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. Those liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

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)**1,449**	1,462	9	1,142	306	5
Trade payables and other liabilities	(3)**3,421**	3,421	2,924	395	93	8
Financial instruments and financial liabilities	(4)**4,384**	4,384	926	2,977	481	-
Total	**9,254**	**9,267**	**3,859**	**4,514**	**880**	**13**
Net liquidity risk position(5)	**2,825**	**2,766**	**2,557**	**354**	**(500)**	**355**

(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 973 million.
(3) Advances received and margin payments in amount of EUR 704 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) 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. 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 1,221 million as these items will cause no future cash outflow and equity instruments in amount of EUR 83 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)**1,978**	2,015	67	1,661	285	2
Trade payables and other liabilities	(3)**1,741**	1,741	851	879	11	-
Financial instruments and financial liabilities	(4)**4,948**	4,948	586	3,827	530	5
Total	**8,667**	**8,704**	**1,504**	**6,367**	**826**	**7**
Net liquidity risk position(5)	**689**	**672**	**2,302**	**(1,440)**	**(188)**	**(2)**

(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 287 million.
(3) Advances received in amount of EUR 267 million are excluded from the carrying amount as these items will cause no future cash outflow.
(4) Margin payments paid in amount of EUR 416 million are excluded from the carrying amount of financial instruments and other financial liabilities as these items will cause no future cash outflow. 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 1,078 million as these items will cause no future cash outflow and equity instruments in amount of EUR 63 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 will mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are 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	1,243	-	-	-	**1,243**
Restricted cash	12	-	15	10	**37**
Trade receivables and other assets	3	-	-	5,226	**5,229**
Financial instruments and other financial assets(1)	744	1	279	6,483	**7,507**
Total	**2,002**	**1**	**294**	**11,719**	**14,016**
Liabilities					
Loans and borrowings(2)	1,263	176	1	9	**1,449**
Trade payables and other liabilities	37	6	-	4,082	**4,125**
Financial instruments and financial liabilities(1)	172	38	-	4,843	**5,053**
Total	**1,472**	**220**	**1**	**8,934**	**10,627**
Net interest rate risk position	**530**	**(219)**	**293**	**2,785**	**3,389**
Effect of interest rate swaps	6	(6)	-	-	-
Net interest rate risk position (incl. IRS)(3)	**536**	**(225)**	**293**	**2,785**	**3,389**

(1) Disregarding agreed interest rate swaps.
(2) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(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 29 – Financial instruments.

Interest rate risk exposure as at 31 December 2021 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	1,741	-	-	-	**1,741**
Restricted cash	21	-	-	1	**22**
Trade receivables and other assets	21	13	-	3,537	**3,571**
Financial instruments and other financial assets[1]	550	81	3	4,529	**5,163**
Total	**2,333**	**94**	**3**	**8,067**	**10,497**
Liabilities					
Loans and borrowings[2]	1,769	186	-	23	**1,978**
Trade payables and other liabilities	28	-	-	1,980	**2,008**
Financial instruments and financial liabilities[1]	-	-	-	5,538	**5,538**
Total	**1,797**	**186**	**-**	**7,541**	**9,524**
Net interest rate risk position	**536**	**(92)**	**3**	**526**	**973**
Effect of interest rate swaps	10	(3)	(7)	-	-
Net interest rate risk position (incl. IRS)[3]	**546**	**(95)**	**(4)**	**526**	**973**

(1) Disregarding agreed interest rate swaps.
(2) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).
(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 29 – Financial instruments.

SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised market 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)	2021 Profit (loss)
Interest rate	*EURIBOR*	*EURIBOR*
Decrease in interest rates by 1%	(4)	-
Increase in interest rates by 1%	4	3

The analysis stated above does not cover the impact of change in interest rate to fair value 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 and GBP.

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

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currencies of Group entities 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	EUR	GBP	USD	Other
Assets					
Cash and cash equivalents	2	1	8	129	2
Trade receivables and other assets	-	-	55	13	-
Financial instruments and other financial assets	3	6	326	51	6
Total (A)	**5**	**7**	**389**	**193**	**8**
Off-balance sheet assets (B)					
Receivables from derivative operations	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Liabilities					
Loans and borrowings	22	-	695	-	20
Trade payables and other liabilities	-	-	22	-	-
Financial instruments and financial liabilities	13	6	241	65	1
Total (C)	**35**	**6**	**958**	**65**	**21**
Off-balance sheet liabilities (D)					
Payables related to derivative operations	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Net FX risk position (E) = (A – C)	**(30)**	**1**	**(569)**	**128**	**(13)**
Effect of forward exchange contracts (F) = (B – D)	-	-	-	-	-
Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk) (G) = (E + F)	**(30)**	**1**	**(569)**	**128**	**(13)**

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

	EUR	GBP	USD	Other
Assets				
Cash and cash equivalents	102	2	60	2
Trade receivables and other assets	2,224	9	108	8
Financial instruments and other financial assets	2,736	1,377	3	20
Total (A)	**5,062**	**1,388**	**171**	**30**
Off-balance sheet assets (B)				
Receivables from derivative operations	41	45	-	-
	41	**45**	**-**	**-**
Liabilities				
Loans and borrowings	452	1,362	86	21
Trade payables and other liabilities	1,611	114	40	6
Financial instruments and financial liabilities	3,048	68	8	-
Total (C)	5,111	1,544	134	27
Off-balance sheet liabilities (D)				
Payables related to derivative operations	-	87	-	-
	-	**87**	**-**	**-**
Net FX risk position (E) = (A – C)	**(49)**	**(156)**	**37**	**3**
Effect of forward exchange contracts (F) = (B – D)	**41**	**(42)**	**-**	**-**
Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk) (G) = (E + F)	**(8)**	**(198)**	**37**	**3**

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 notional amounts of financial instruments (refer to Note 29 – Financial instruments for more details).

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: Czech crown), as indicated below, against the CZK (2021: EUR), GBP and USD at the reporting date would have impacted profit (loss) by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in millions of EUR

	2022 Profit (loss)
CZK (5% strengthening of EUR)	2
GBP (5% strengthening of EUR)	28
USD (5% strengthening of EUR)	(6)

Effect in millions of EUR

	2021 Profit (loss)
EUR (5% strengthening of CZK)	2
USD (5% strengthening of CZK)	-
GBP (5% strengthening of CZK)	8

A weakening of the Euro (2021: 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 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 futures/forward basis.

The Group aims to reduce exposure to fluctuations in commodity prices through the use of futures, forwards 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.

SENSITIVITY ANALYSIS

A change in the market price of electricity of 1 EUR/MWh would have decreased or increased revenues from sales of electricity by EUR 34 million (2021: EUR 41 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 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 EPPE 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.

CZECH REPUBLIC

Czech government introduced so-called windfall tax 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. Within the Group, EP Commodities, a.s. is 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.

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 impact the future of Fiume Santo power plant, which operation is considered as technically critical to provide stability of power supply on the island. Currently, Fiume Santo is operated under a "must run" regime allowing full cost recovery by 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 CAPITAL MANAGEMENT

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

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

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

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

In millions of EUR

	31 December 2022	31 December 2021
Loans and borrowings	1,449	1,978
Less: cash and cash equivalents	1,243	1,741
Net financial debt	**206**	**237**
Underlying EBITDA[1]	2918	984
Net leverage	**0.1**	**0.2**

(1) Underlying EBITDA represents profit (loss) for the year before income tax expenses, finance expense, finance income, profit (loss) from derivative financial instruments, 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 and negative goodwill.

(2) It must be noted that Underlying EBITDA and Net leverage are not measures that are defined under IFRS. These measures are construed as determined by the Board of Directors and are presented to disclose additional information to measure the economic performance of the Group's business activities. These terms should not be used as a substitute to net income, revenues or operating cash flows or any other measure as derived in accordance with IFRS. These non-IFRS measures should not be used in isolation or as substitutes for analysis of our results as reported under IFRS. These measures may not be comparable to similarly titled measures used by other companies.

UNDERLYING EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE

FOR THE YEAR ENDED

In millions of EUR

	2022	2021
Underlying EBITDA	**2,918**	**984**
Depreciation, amortisation and impairment	(354)	(311)
Finance income	68	17
Finance expense	(198)	(61)
Impairment loss on financial instruments and other financial assets	-	(3)
Share of profit (loss) of equity accounted investees, net of tax	800	(61)
Income tax	(596)	(42)
Profit for the year	**2,638**	**523**

H HEDGE ACCOUNTING

CASH FLOW HEDGE

The balance as at 31 December 2022 represents primarily derivative agreements to hedge on a foreign exchange rate, electricity and gas price and derivative agreements to hedge emission rights price.

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 251 million (negative impact on profit or loss) from hedging reserves to profit or loss (2021: EUR 21 million (positive impact on profit or loss)).

The following tables provide a reconciliation of amounts recorded in equity by category of hedging instrument:

In millions of EUR

	Currency forwards – cash flow hedge[(1)]	Equity accounted investees – cash flow hedge	Commodity derivatives – cash flow hedge	Interest rate swaps – cash flow hedge	Total
Balance at 1 January 2022	**91**	**428**	**(225)**	**1**	**295**
Effect from change in functional currency	-	4	-	-	**4**
Cash flow hedges reclassified to profit or loss	87	-	164	-	**251**
Deferred tax – cash flow hedges reclassified to profit or loss	(21)	-	(39)	-	**(60)**
Revaluation of cash flow hedges	-	-	396	5	**401**
Deferred tax – cash flow hedges revaluation	-	-	(6)	(1)	**(7)**
Changes of hedging reserves recognised by equity accounted investees	-	(465)	-	-	**(465)**
Balance at 31 December 2022	**157**	**(33)**	**290**	**5**	**419**

(1) 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

	Currency forwards – cash flow hedge[(1)]	Equity accounted investees – cash flow hedge	Commodity derivatives – cash flow hedge	Interest rate swaps – cash flow hedge	Total
Balance at 1 January 2021	**97**	**165**	**10**	**-**	**272**
Cash flow hedges reclassified to profit or loss	(21)	-	-	-	**(21)**
Deferred tax – cash flow hedges reclassified to profit or loss	2	-	-	-	**2**
Revaluation of cash flow hedges	22	-	(280)	1	**(257)**
Deferred tax – cash flow hedges revaluation	(9)	-	45	-	**36**
Changes of hedging reserves recognised by equity accounted investees	-	263	-	-	**263**
Balance at 31 December 2021	**91**	**428**	**(225)**	**1**	**295**

(1) 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.

CASH FLOW HEDGES – HEDGE OF COMMODITY PRICE RISK OF GAS

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales and purchases of gas. The hedging instruments are commodity swaps concluded with third parties to hedge selling price of gas in-kind sold and purchase price of gas 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 71 million (2021: negative EUR 37 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 2022 till 2023. 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 197 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	496	377	2,175	2,084
3 months to 1 year	325	167	694	530
1–5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	**821**	**544**	**2,869**	**2,614**

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	28	53	77	84
3 months to 1 year	378	607	1,102	1,426
1–5 years	10	-	43	43
Over 5 years	-	-	-	-
Total	**416**	**660**	**1,222**	**1,553**

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. 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).

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	-	509	518
Over 5 years	-	-	3	9
Total	**2**	**-**	**746**	**761**

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 (positive 2021: positive EUR 263 million). As the hedge accounting is applied by equity accounted investees, the hedging derivatives are not recognised on Group's consolidated statement of financial position.

34. Related parties

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

BALANCES WITH RELATED PARTIES

The summary of outstanding balances with related parties as at 31 December 2022 and 31 December 2021 was as follows:

In millions of EUR

	2022		2021	
	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
Companies controlled by ultimate shareholders(1)	1,621	1,675	971	2,016
Associates and joint ventures	22	184	479	592
Other related parties	-	-	169	18
Total	**1,643**	**1,859**	**1,619**	**2,626**

(1) Daniel Křetínský represents the ultimate shareholder.

TRANSACTIONS WITH RELATED PARTIES

The summary of transactions with related parties during the year ended 31 December 2022 and 31 December 2021 was as follows:

In millions of EUR

	Revenues 2022	Expenses 2022	Revenues 2021	Expenses 2021
Companies controlled by ultimate shareholders(1)	1,520	(941)	878	(1,055)
Associates and joint ventures	1,556	(2,939)	934	(990)
Other related parties	-	-	176	(75)
Total	**3,076**	**(3,880)**	**1,988**	**(2,120)**

(1) Daniel Křetínský represents the ultimate shareholder.

All transactions were performed under the arm's length principle with the exception of the prolongation of the zero-interest loan provided by EPH, see Note 26 for more details.

TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

For the financial years ended 31 December 2022 and 2021 the EPPE Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Power Europe, a.s., Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, EP Commodities, a.s., EP Produzione S.p.A. Group, EPNEI Group, 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	40	29
Compensation, fees and rewards	16	7
Compulsory social security contributions	2	1
Total	**18**	**8**

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses. All transactions were performed under the arm's length principle.

35. 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	Consolidation method	Consolidation method
EP Power Europe, a.s.*	Czech Republic	-	-	-	-	-	-
EPPE Germany, a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
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[3]	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[2]	Germany	100	Direct	100	Direct	At cost	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
EVA Jänschwalde GmbH & Co. KG	Germany	50	Direct	50	Direct	Equity	Equity
Gaskraftwerk Leipheim GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
Gaskraftwerk Leipheim Verwaltungs GmbH	Germany	100	Direct	100	Direct	Equity	Equity
PV Böhlen GmbH & Co. KG	Germany	100	Direct	100	Direct	Equity	Equity
SERO LAUSITZ GmbH	Germany	100	Direct	100	Direct	At cost	At cost
MCR Engineering Lausitz GmbH	Germany	100	Direct	100	Direct	At cost	At cost
energy cubes GmbH	Germany	100	Direct	100	Direct	At cost	At cost
LandWerte Immobilien & Entwicklung GmbH & Co. KG	Germany	100	Direct	100	Direct	At cost	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 Briesing 2 GmbH & Co. KG	Germany	100	Direct	-	-	Equity	-
EP New Energies GmbH	Germany	20	Direct	20	Direct	Full	Full
EP New Energy Italia S.r.l.	Italy	49	Direct	49	Direct	Full	Full
Fusine Energia S.r.l.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Servizi S.r.l.	Italy	49	Direct	49	Direct	At cost	At cost
EP New Energies GmbH	Germany	80	Direct	80	Direct	Full	Full
EP Mehrum GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Mehrum GmbH	Germany	100	Direct	100	Direct	Full	Full
JTSD – Braunkohlebergbau GmbH	Germany	90	Direct	90	Direct	Full	Full
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Full	Full
GALA-MIBRAG-Service GmbH[(1)]	Germany	100	Direct	100	Direct	Full	Full
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	Full	Full
Helmstedter Revier GmbH (Buschhaus)[(1)]	Germany	100	Direct	100	Direct	Full	Full
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH (NORGAM mbH)	Germany	-	-	51	Direct	-	Full

Group entities

		31 December 2022		31 December 2021		2022	2021
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
MIBRAG Profen GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Profen GmbH & Co. KG	Germany	100	Direct	100	Direct	At cost	At cost
MIBRAG Neue Energie GmbH[(1)]	Germany	50	Direct	50	Direct	Full	Full
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[(4)]	Germany	50	Direct	-	-	At cost	-
BHKW Profen GmbH[(4)]	Germany	50	Direct	-	-	At cost	-
Photovoltaikpark Peres II GmbH	Germany	50	Direct	-	-	At cost	-
Groitzscher Wohnwelt GmbH	Germany	50	Direct	-	-	At cost	-
MINCA GmbH	Germany	50	Direct	-	-	At cost	-
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH[(3)]	Germany	25.5	Direct	-	-	Full	-
MIBRAG Schleenhain GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Tagebau Schleenhain GmbH & Co. KG	Germany	100	Direct	100	Direct	At cost	At cost
MIBRAG Neue Energie GmbH	Germany	50	Direct	50	Direct	Full	Full
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[(4)]	Germany	50	Direct	-	-	At cost	-
BHKW Profen GmbH[(4)]	Germany	50	Direct	-	-	At cost	-
Photovoltaikpark Peres II GmbH	Germany	50	Direct	-	-	At cost	-
Groitzscher Wohnwelt GmbH	Germany	50	Direct	-	-	At cost	-
MINCA GmbH	Germany	50	Direct	-	-	At cost	-
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH[(3)]	Germany	25.5	Direct	-	-	Full	-
Zukunft I GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Zukunft II GmbH[(4)]	Germany	-	-	100	Direct	-	At cost
BHKW Profen GmbH (Zukunft III GmbH)[(4)]	Germany	-	-	100	Direct	-	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	-

	Country of incorporation	31 December 2022 Ownership %	31 December 2022 Ownership interest	31 December 2021 Ownership %	31 December 2021 Ownership interest	2022 Consolidation method	2021 Consolidation method
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
EP Power Minerals GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Power Grit GmbH	Germany	100	Direct	-	-	Full	-
EP Power Grit N.V. (N.Z.M. GRIT)	Belgium	100	Direct	-	-	Full	-
EP Power Grit B.V. (Maasgrit B.V. Maastricht)	Netherlands	100	Direct	-	-	At cost	-
EP Power Grit Hamburg GmbH	Germany	100	Direct	-	-	Full	-
EP Power Grit Oy AB	Finland	100	Direct	-	-	At cost	-
MINERALplus Gesellschaft für Mineralstoffaufbereitung und Verwertung mbH (MINERALplus GmbH)	Germany	100	Direct	100	Direct	Full	Full
Felix Höltken GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Minex GmbH[5]	Germany	-	-	50	Direct	-	At cost
MINERALplus Stork GmbH & Co. KG[6][9]	Germany	74	Direct	74	Direct	At cost	At cost
MINERALplus Stork Verwaltungs-GmbH[6]	Germany	100	Direct	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[7]	Czech Republic	65	Direct	65	Direct	At cost	At cost
Power Minerals UK Holdings Ltd.[8]	United Kingdom	-	-	100	Direct	At cost	At cost
Power Minerals Ltd.[8]	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.[8]	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.	Quatar	49	Direct	49	Direct	At cost	At cost
Myrdalssandur ehf. (Power Minerals Iceland ehf.)[9]	Iceland	90	Direct	-	-	At cost	At cost
EP Power Minerals Asia Pte.Ltd. (STEAG Power Minerals Asia Pte.Ltd.)[9]	Singapore	100	Direct	-	-	At cost	At cost
Hoang Son Fly Ash and Cement JSC	Vietnam	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 Consolidation method	2021 Consolidation method
EP Power Minerals Americas INC.	United States of America	100	Direct	-	-	At cost	-
STEAG Power Minerals Beteiligungsgesellschaft mbH[9]	Germany	-	-	100	Direct	At cost	At cost
Myrdalssandur ehf. (Power Minerals Iceland ehf.)[9]	Iceland	-	-	90	Direct	At cost	At cost
MINERALplus Stork GmbH & Co. KG[6][9]	Germany	-	-	74	Direct	At cost	At cost
MINERALplus Stork Verwaltungs-GmbH[6]	Germany	-	-	100	Direct	At cost	At cost
EP Power Minerals Asia Pte.Ltd. (STEAG Power Minerals Asia Pte. Ltd.)[9]	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 LTD	United Kingdom	100	Direct	100	Direct	Full	Full
Eggborough Power Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Lynemouth Power Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP UK Power Development Ltd	United Kingdom	100	Direct	100	Direct	Full	Full
EP SHB Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humberland Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Langage Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Ballylumford Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Kilroot Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Tynagh Energy Limited	Ireland	80	Direct	80	Direct	Full	Full
EP UK Finance Limited	United Kingdom	100	Direct	100	Direct	Full	Full
Humbly Grove Energy Limited	United Kingdom	100	Direct	100	Direct	Full	Full
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	At cost	At cost
EP Eggborough Limited	United Kingdom	100	Direct	100	Direct	Full	Full
EP Dublin Energy Limited	Ireland	100	Direct	100	Direct	At cost	Full
EP Energy Developments Limited	Ireland	100	Direct	100	Direct	At cost	At cost
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 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

	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 Consolidation method	2021 Consolidation method
Belfast Power Limited	United Kingdom	100	Direct	100	Direct	At cost	At cost
EP Commodities AG	Switzerland	100	Direct	-	-	At cost	-
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Commodities Ukraine TOB	Ukraine	100	Direct	100	Direct	At cost	At cost
EP Produzione S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Fiume Santo S.p.A.	Italy	100	Direct	100	Direct	Full	Full
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	75	Direct	Full	Full
Centro Energia Ferrara S.r.l.	Italy	100	Direct	100	Direct	Full	Full
Ep Centrale Tavazzano Montanaso S.P.A. (EPP 1 S.r.l.)	Italy	100	Direct	100	Direct	At cost	At cost
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	Full	Full
Fusine Energia S.r.L.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Crotone S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Italia S.p.A.	Italy	100	Direct	100	Direct	Full	Full
Biomasse Servizi S.r.l.	Italy	51	Direct	51	Direct	Direct	Direct
EP France Développement SAS	France	100	Direct	100	Direct	At cost	At cost
EP France S.A.S.*	France	100	Direct	100	Direct	Full	Full
Gazel Energie Generation S.A.S.	France	100	Direct	100	Direct	Full	Full
Aerodis, S.A.	France	100	Direct	100	Direct	Full	Full
Surschiste, S.A.	France	100	Direct	100	Direct	Full	Full
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	Full	Full
Gazel Energie Renouvelables S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Solaire S.A.S.	France	100	Direct	100	Direct	Full	Full
Gazel Energie Solutions S.A.S.	France	100	Direct	100	Direct	Full	Full
Dynamo S.A.S.	France	100	Direct	100	Direct	At cost	At cost
EP France Management & Services S.A.S.	France	100	Direct	100	Direct	Full	Full
EP Nethelands B.V. (Yuzivska B.V.)(10)	Netherlands	100	Direct	100	Direct	Full	Full
International Resources Invest AG	Switzerland	100	Direct	-	-	Full	-
EP Ukraine B.V.	Netherlands	90	Direct	90	Direct	Full	Full
EP Hungary s.r.o.	Czech Republic	90	Direct	90	Direct	At cost	At cost
HHE Group Ventures Kft.	Hungary	50	Direct	-	-	At cost	-
Industrial Park Opatovice s.r.o.(11)	Czech Republic	100	Direct	-	-	At cost	-
EP Resources AG	Switzerland	100	Direct	100	Direct	Full	Full
EPR ASIA PTE. LTD.	Singapore	100	Direct	100	Direct	At cost	At cost
EP Resources CZ a.s.	Czech Republic	100	Direct	100	Direct	Full	Full

	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 Consolidation method	2021 Consolidation method
EP Resources PL S.A.	Poland	100	Direct	100	Direct	Full	Full
EP Resources DE GmbH	Germany	100	Direct	100	Direct	At cost	At cost
Boldore a.s.	Czech Republic	50	Direct	50	Direct	At cost	At cost
Greeninvest Energy, a.s.(12)	Czech Republic	42	Direct	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	-

* Holding entity.

(1) The German subsidiaries Helmstedter Revier GmbH, Büddenstedt, and GALA-MIBRAG-Service GmbH, Elsteraue, included in EP Power Europe a.s. consolidated financial statements, make use of the simplification options provided in Section 264 (3) of the German Commercial Code (HGB) with respect to the preparation and publishing of the annual financial statements as at 31 December 2022 and 2021.

(2) On 2 August 2022, ZG Sachsen Verwaltungs GmbH was renamed to LandWerte Verwaltungs GmbH

(3) 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%.

(4) 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.

(5) 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).

(6) 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.

(7) On 2 August 2022, STEAG Energo Mineral CZ s.r.o. was renamed to STEAG Energo Mineral CZ s.r.o. v likvidaci.

(8) On 10 September 2022, Power Minerals UK Holdings Ltd. was liquidated and share in Power Minerals Ltd. was transferred to EP Power Minerals GmbH.

(9) 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.

(10) On 1 September 2022, EP Yuzivska B.V. was renamed to EP Netherlands B.V.

(11) On 18 January 2022, Industrial Park Opatovice s.r.o. was transferred to EP Power Europe, a.s. as a part of internal reorganization.

(12) On 14 February 2022, Greeninvest Energy, a.s transferred to EP Power Europe, a.s. as a part of internal reorganization.

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

36. 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 31 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 May 2023.

BIOMASSE ITALIA S.P.A. AND BIOMASSE CROTONE S.P.A.

A criminal investigation in connection with which certain former directors of Biomasse Italia S.p.A. and Biomasse Crotone S.p.A. as well as an employee of the company Biomasse Italia S.p.A. was conducted and the pre-trial phase has started. Closure of the investigation no longer included two former directors of the companies. However, the employee of Biomasse Italia S.p.A was included. The companies were not subject to any investigation. Based on the information received so far, there are no elements which could indicate that criminal proceedings could be brought against the companies or that proceedings potentially affecting the company's assets could be initiated. The Group will continue to monitor the progress of the case.

EP RESOURCES AG ("EPR AG")

An arbitration is pending between 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.

37. Subsequent events

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.

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 1700 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 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 63£/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 statements 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	
19 May 2023	Mgr. Marek Spurný Vice-Chairman of the Board of Directors	Mgr. Pavel Horský Vice-Chairman 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
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 assets	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 Kraftwerk Schkopau GbR 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(2)			73
Total consideration transferred			**94**
Less: Cash acquired (B)			13
Net cash inflow (outflow) (C) = (B – A)			**(8)**

(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.

Appendix 1 – Business combinations

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)

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 statements of comprehensive income

Consolidated statement of comprehensive income (as published)

FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR ("MEUR")

	2021
Revenues	17,129
Gain (loss) from commodity derivatives for trading with electricity and gas, net	(686)
Total sales	**16,443**
Purchases and consumables	**(14,088)**
Subtotal	**2,355**
Personnel expenses	(319)
Depreciation and amortisation	(289)
Repairs and maintenance	(74)
Emission rights, net	(709)
Negative goodwill	-
Taxes and charges	(108)
Other operating income	130
Other operating expenses	(317)
Own work capitalized	4
Profit (loss) from operations	**673**
Finance income	17
Finance expense	(55)
Profit (loss) from financial instruments	(9)
Net finance income (expense)	**(47)**
Share of profit (loss) of equity accounted investees, net of tax	(61)
Gain (loss) on disposal of subsidiaries	-
Profit (loss) before income tax	**565**

	2021
Income tax expenses	(42)
Profit (loss) for the year	**523**
Items that are not reclassified subsequently to profit or loss:	
Foreign currency translation differences from presentation currency	103
Fair value reserve included in other comprehensive income	75
Fair value reserve included in other comprehensive income (revaluation of property, plant and equipment)	3
Items that are or may be reclassified subsequently to profit or loss:	
Foreign currency translation differences from foreign operations	(84)
Effective portion of changes in fair value of cash-flow hedges	23
Other comprehensive income for the year, net of tax	**120**
Total comprehensive income for the year	**643**
Profit (loss) attributable to:	
Owners of the Company	505
Non-controlling interest	18
Profit (loss) for the year	**523**
Total comprehensive income attributable to:	
Owners of the Company	625
Non-controlling interest	18
Total comprehensive income for the year	**643**
Total basic and diluted earnings per share in EUR	**4,293**

Consolidated statement of comprehensive income (restated)

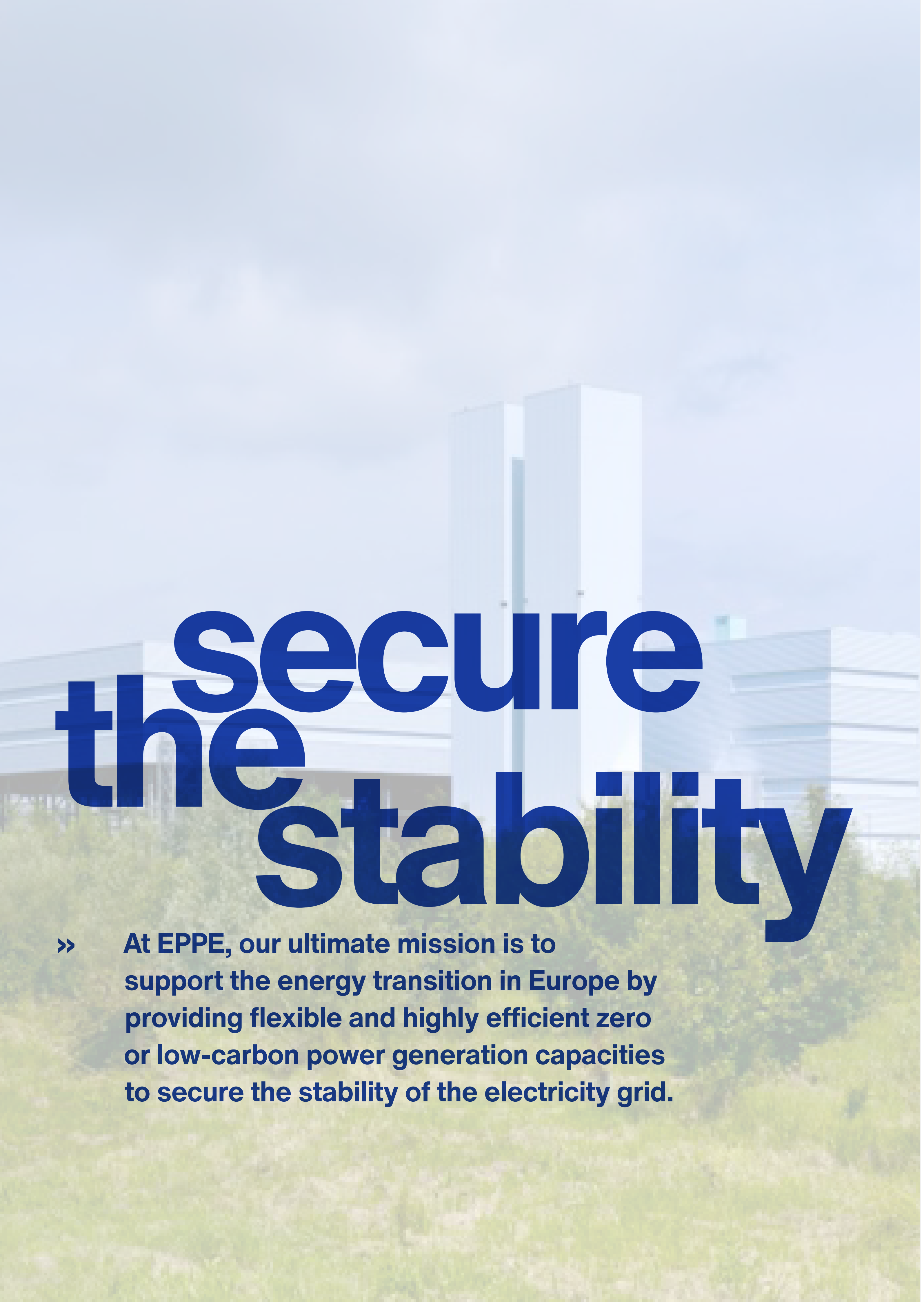
FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of EUR ("MEUR")

	2021
Revenues	**16,452**
Purchases and consumables	**(14,042)**
Subtotal	**2,549**
Services	(287)
Personnel expenses	(319)
Depreciation and amortisation	(311)
Emission rights, net	(709)
Own work capitalized	4
Other operating income (expense), net	(115)
Profit (loss) from operations	**673**
Finance income	17
Impairment losses on financial instruments and other financial assets	(3)
Finance expense	(61)
Net finance income (expense)	**(47)**
Share of profit (loss) of equity accounted investees, net of tax	(61)
Gain (loss) on disposal of subsidiaries	-
Profit (loss) before income tax	**565**

Appendix 2 – Restated Consolidated statements of comprehensive income

	2021
Income tax expenses	(42)
Profit (loss) for the year	**523**
Items that are not reclassified subsequently to profit or loss:	
Foreign currency translation differences from presentation currency	103
Fair value reserve included in other comprehensive income	75
Revaluation of property, plant and equipment, net of tax	3
Items that are or may be reclassified subsequently to profit or loss:	
Foreign currency translation differences from foreign operations	(84)
Effective portion of changes in fair value of cash-flow hedges	23
Other comprehensive income for the year, net of tax	**120**
Total comprehensive income for the year	**643**
Profit (loss) attributable to:	
Owners of the Company	505
Non-controlling interest	18
Profit (loss) for the year	**523**
Total comprehensive income attributable to:	
Owners of the Company	625
Non-controlling interest	18
Total comprehensive income for the year	**643**
Total basic and diluted earnings per share in EUR	**4,293**



6 Single Audit Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of EP Power Europe, a.s.

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

Opinion

We have audited the accompanying financial statements of EP Power Europe, 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 EP Power Europe, 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 stated in Note 2.11 to the financial statements, EP Power Europe, 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. Accordingly, this auditor's report does not include our opinion on the other information.

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

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

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

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

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	

4.4 GW

» Projects already under construction and projects under consideration represent a total investment of approximately EUR 2.3 billion and a total installed capacity of 4.4 GW, a record amount in the Group's history.

7 Statutory Financial Statements and Notes to the Statutory Financial Statements

Balance Sheet

EP Power Europe, a.s.
Corporate ID 278 58 685

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	**68,803,034**	**1,857**	**68,801,177**	**72,476,887**
B.	**Fixed assets**	**37,749,874**	**1,857**	**37,748,017**	**35,766,160**
B.I.	***Intangible fixed assets***	**1,204**	**330**	**874**	**934**
B.I.2.	*Valuable rights*	**1,204**	**330**	**874**	**934**
B.I.2.2.	Other valuable rights	1,204	330	874	934
B.II.	***Tangible fixed assets***	**2,730**	**1,527**	**1,203**	**1,745**
B.II.2.	Tangible movable assets and sets of tangible movable assets	2,730	1,527	1,203	1,745
B.III.	***Non-current financial assets***	**37,745,940**		**37,745,940**	**35,763,481**
B.III.1.	Equity investments – controlled or controlling entity	36,188,220		36,188,220	34,223,867
B.III.3.	Equity investments in associates	1,557,419		1,557,419	1,539,614
B.III.5.	Other non-current securities and investments	301		301	
C.	**Current assets**	**31,047,398**		**31,047,398**	**36,696,611**
C.I.	***Inventories***	**49,453**		**49,453**	**56,981**
C.I.2.	Work in progress and semifinished goods	49,453		49,453	56,981
C.II.	***Receivables***	**30,961,348**		**30,961,348**	**36,594,162**
C.II.1.	Long-term receivables	**4,000,414**		**4,000,414**	**5,706,751**
C.II.1.2.	Receivables – controlled or controlling entity	4,000,414		4,000,414	5,706,751
C.II.2.	***Short-term receivables***	**26,960,934**		**26,960,934**	**30,887,411**
C.II.2.1.	Trade receivables	192,477		192,477	130,198
C.II.2.2.	Receivables – controlled or controlling entity	26,704,156		26,704,156	30,650,576
C.II.2.4.	*Receivables – other*	**64,301**		**64,301**	**106,637**
C.II.2.4.3.	State – tax receivables	59,212		59,212	66,879
C.II.2.4.4.	Short-term prepayments made	1,730		1,730	1,718
C.II.2.4.6.	Sundry receivables	3,359		3,359	38,040
C.IV.	***Cash***	**36,597**		**36,597**	**45,468**
C.IV.1.	Cash on hand	21		21	21
C.IV.2.	Cash at bank	36,576		36,576	45,447
D.	**Other assets**	**5,762**		**5,762**	**14,116**
D.1.	Deferred expenses	287		287	213
D.3.	Accrued income	5,475		5,475	13,903

		31.12.2022	31.12.2021
	TOTAL LIABILITIES & EQUITY	**68,801,177**	**72,476,887**
A.	**Equity**	**36,515,423**	**34,520,814**
A.I.	***Share capital***	**23,526,200**	**23,526,200**
A.I.1.	Share capital	23,526,200	23,526,200
A.II.	***Share premium and capital funds***	**5,671,176**	**4,405,409**
A.II.2.	*Capital funds*	5,671,176	4,405,409
A.II.2.1.	Other capital funds	6,554,310	4,722,163
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-883,134	-316,754
A.IV.	***Retained earnings (+/-)***	**3,255,530**	**3,101,590**
A.IV.1.	Accumulated profits or accumulated loss brought forward (+/-)	3,182,875	3,028,935
A.IV.2.	Statutory and other funds	72,655	72,655
A.V.	***Profit or loss for the current period (+/-)***	**4,062,517**	**3,487,615**
B.+C.	**Liabilities**	**32,285,754**	**37,956,068**
B.	**Reserves**	**19,338**	**3,681**
B.2.	Income tax reserve	15,168	
B.4.	Other reserves	4,170	3,681
C.	**Payables**	**32,266,416**	**37,952,387**
C.I.	***Long-term payables***	**4,360,465**	**6,029,854**
C.I.6.	Payables – controlled or controlling entity	4,360,465	6,029,854
C.II.	***Short-term payables***	**27,905,951**	**31,922,533**
C.II.4.	Trade payables	97,372	91,621
C.II.6.	Payables – controlled or controlling entity	27,780,429	31,771,487
C.II.8.	*Other payables*	28,150	59,425
C.II.8.3.	Payables to employees	7,881	7,970
C.II.8.4.	Social security and health insurance payables	1,775	1,903
C.II.8.6.	Estimated payables	15,479	49,463
C.II.8.7.	Sundry payables	3,015	89
D.	**Other liabilities**		**5**
D.1.	Accrued expenses		5

Profit and Loss Account

EP Power Europe, a.s.
Corporate ID 278 58 685

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	197,977	123,783
A.	Purchased consumables and services	230,954	148,542
A.2.	Consumed material and energy	1,476	1,073
A.3.	Services	229,478	147,469
B.	Change in internally produced inventory (+/-)	7,529	-30,308
D.	Staff costs	207,226	196,661
D.1.	Payroll costs	175,074	164,480
D.2.	Social security and health insurance costs and other charges	32,152	32,181
D.2.1.	Social security and health insurance costs	32,133	32,146
D.2.2.	Other charges	19	35
E.	Adjustments to values in operating activities	602	632
E.1.	Adjustments to values of intangible and tangible fixed assets	602	632
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	602	632
III.	Other operating income	297	1,501
III.3.	Sundry operating income	297	1,501
F.	Other operating expenses	9,909	2,978
F.3.	Taxes and charges	920	359
F.4.	Reserves relating to operating activities and complex deferred expenses	489	-3,274
F.5.	Sundry operating expenses	8,500	5,893
*	**Operating profit or loss (+/-)**	**-257,946**	**-193,221**
IV.	Income from non-current financial assets – equity investments	4,184,066	3,696,690
IV.1.	Income from equity investments – controlled or controlling entity	4,184,061	3,696,690
IV.2.	Other income from equity investments	5	
G.	Costs of equity investments sold		2,500
VI.	Interest income and similar income	404,543	364,691
VI.1.	Interest income and similar income – controlled or controlling entity	401,012	360,088
VI.2.	Other interest income and similar income	3,531	4,603
J.	Interest expenses and similar expenses	401,453	380,730
J.1.	Interest expenses and similar expenses – controlled or controlling entity	401,453	380,730
VII.	Other financial income	2,639,534	708,891
K.	Other financial expenses	2,477,042	704,616
*	**Financial profit or loss (+/-)**	**4,349,648**	**3,682,426**
**	**Profit or loss before tax (+/-)**	**4,091,702**	**3,489,205**
L.	Income tax	29,185	1,590
L.1.	Due income tax	29,185	1,590
**	**Profit or loss net of tax (+/-)**	**4,062,517**	**3,487,615**
***	**Profit or loss for the current period (+/-)**	**4,062,517**	**3,487,615**
*	Net turnover for the current period	7,426,417	4,895,556

Statement of Changes in Equity

EP Power Europe, a.s.
Corporate ID 278 58 685

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	Capital funds	Accumulated losses brought forward	Other profit or loss from prior years	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2020	**23,526,200**	**-329,902**	**3,319,868**	**3,546,379**	**72,655**	**2,295,187**	**32,430,387**
Distribution of profit or loss				2,295,187		-2,295,187	
Profit shares declared				-2,812,631			-2,812,631
Additional equity contribution			1,402,295				1,402,295
Valuation differences on revaluation of assets and liabilities		13,148					13,148
Profit for the current period						3,487,615	3,487,615
Balance at 31 December 2021	**23,526,200**	**-316,754**	**4,722,163**	**3,028,935**	**72,655**	**3,487,615**	**34,520,814**
Distribution of profit or loss				3,487,615		-3,487,615	
Profit shares declared				-3,333,675			-3,333,675
Additional equity contribution			1,832,147				1,832,147
Valuation differences on revaluation of assets and liabilities		-566,380					-566,380
Profit for the current period						4,062,517	4,062,517
Balance at 31 December 2022	**23,526,200**	**-883,134**	**6,554,310**	**3,182,875**	**72,655**	**4,062,517**	**36,515,423**

Cash Flow Statement

EP Power Europe, a.s.
Corporate ID 278 58 685

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
P.	**Opening balance of cash and cash equivalents**	**45,468**	**60,725**
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss from ordinary activities before tax	4,091,702	3,489,205
A.1.	Adjustments for non-cash transactions	-4,559,254	-3,710,006
A.1.1.	Depreciation of fixed assets	602	632
A.1.2.	Change in provisions and reserves	489	-3,274
A.1.3.	Profit/(loss) on the sale of fixed assets		-2,500
A.1.4.	Revenues from profit shares	-4,184,065	-3,694,190
A.1.5.	Costs of the equity investment sale		2,500
A.1.6.	Interest expense and interest income	-3,090	16,039
A.1.7.	Adjustments for other non-cash transactions	-373,190	-29,213
A.*	**Net operating cash flow before changes in working capital**	**-467,552**	**-220,801**
A.2.	Change in working capital	-75,420	14,341
A.2.1.	Change in operating receivables and other assets	-57,419	-9,442
A.2.2.	Change in operating payables and other liabilities	-25,529	49,066
A.2.3.	Change in inventories	7,528	-25,283
A.**	**Net cash flow from operations before tax**	**-542,972**	**-206,460**
A.3.	Interest paid	-153,252	-238,080
A.4.	Interest received	101,110	51,706
A.5.	Income tax paid from ordinary operations	-2,643	-4,185
A.***	**Net operating cash flows**	**-597,757**	**-397,019**
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-2,310,813	-1,952,267
B.2.	Proceeds from fixed assets sold		2,500
B.3.	Loans and borrowings to related parties	3,753,753	-22,007,844
	Received profit shares	4,175,673	506,249
B.***	**Net investment cash flows**	**5,618,613**	**-23,451,362**
	Cash flow from financial activities		
C.1.	Change in payables from financing	-3,199,908	23,377,509
C.2.	Impact of changes in equity	-1,829,819	455,615
C.2.3.	Other cash contributions made by partners	1,509,287	1,402,295
C.2.6.	Profit shares paid	-3,339,106	-946,680
C.***	**Net financial cash flows**	**-5,029,727**	**23,833,124**
F.	**Net increase or decrease in cash and cash equivalents**	**-8,871**	**-15,257**
R.	**Closing balance of cash and cash equivalents**	**36,597**	**45,468**

Notes to the Financial Statements
for the Year Ended 31 December 2022

Company Name:	EP Power Europe, a.s.
Registered Office:	Pařížská 130/26, Josefov, 110 00 Prague 1
Legal Status:	Joint-Stock Company
Corporate ID:	278 58 685

1. General Information

1.1 INCORPORATION AND DESCRIPTION OF THE COMPANY

EP Power Europe, a.s. (the “Company”, “EPPE”) was incorporated as a joint-stock company on 16 September 2008 following its registration in the Register of Companies maintained by the Regional Court in Ostrava. On 25 May 2016, the file number was transferred to the Municipal Court in Prague.

The EPPE Group is an energy utility group specialising in the generation of electric power, renewable resources, brown coal mining, and trading.

The following table shows legal entities with an equity interest and the amount of their equity interest:

Shareholder		Ownership percentage
Energetický a průmyslový holding, a.s.		100%
Total		**100%**

1.2 BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF THE BALANCE SHEET DATE

	Position	Name
Board of Directors	Chairman	Daniel Křetínský
	Vice-Chairman	Pavel Horský
	Vice-Chairman	Marek Spurný
	Vice-Chairman	Tomáš David
	Vice-Chairman	Jan Špringl
	Member	Jiří Feist
	Member	Tomáš Novotný
	Member	Filip Bělák
	Member	Miroslav Haško
	Member	Leif Timmermann
	Member	Peter Černák
Supervisory Board	Member	Ivan Jakabovič
	Member	Martin Fedor
	Member	Miloš Badida

2. Accounting Policies

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act No. 563/1991 Coll., as amended; Regulation No. 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis (unless stated otherwise), the accruals principle, the prudence concept and the going concern assumption.

The Company's financial statements have been prepared as of and for the year ended 31 December 2022 ("2022").

These financial statements are presented in thousands of Czech crowns (CZK '000), unless stated otherwise.

2.1 TANGIBLE AND INTANGIBLE FIXED ASSETS

MANNER OF VALUATION

Purchased assets are valued according to Section 46 of Regulation No. 500/2002 Coll. Tangible fixed assets with an acquisition cost lower than CZK 80 thousand and intangible fixed assets with an acquisition cost lower than CZK 80 thousand are not reported in the balance sheet and are recognised in expenses in the year of their acquisition.

Temporary impairment of tangible and intangible fixed assets is recognised through provisions, which are reported in the balance sheet in the 'Adjustment' column together with amortisation / depreciation.

The cost of tangible and intangible fixed asset improvements increases the acquisition cost of the related fixed asset. Repairs and maintenance are expensed in the current reporting period.

DEPRECIATION / AMORTISATION

Depreciation/amortisation is charged so as to write off the cost of tangible and intangible fixed assets, over their estimated useful lives, using the straight-line method on a monthly basis. The first depreciation/amortisation charge is made in the month following the date the asset is put in service and depreciation/amortisation is discontinued in the month the asset is disposed of.

The following table presents the methods and number of years of depreciation/amortisation as per the asset type:

Type of assets	Depreciation / amortisation method	Number of years/%
Computers	Straight-line	3 years
Cars	Straight-line	5 years
Trademarks	Straight-line	20 years

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

2.2 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of equity investments in subsidiaries and associates, securities available for sale and debt securities held to maturity falling due in more than a year.

Upon acquisition securities and equity investments are carried at cost. The cost of securities includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments – controlled entity and equity investments in associates, or securities and equity investments available for sale.

Financial assets maturing in or intended to be held for more than one year are reported as non-current; financial assets maturing in or intended to be held for less than one year are reported as current.

Investments in enterprises in which the Company has the power to govern the financial flows and operating policies so as to obtain benefits from their operations are treated as 'Equity investments – controlled entity'. Investments in enterprises in which the Company is in a position to exercise significant influence over their financial flows and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates.' Investments that do not fall within any of the above categories are classified as other non-current equity investments.

VALUATION OF FINANCIAL ASSETS AS OF THE BALANCE SHEET DATE

As of the balance sheet date, equity investments are valued at cost and in case of a temporary impairment of a relevant investment, a provision is created.

If securities are held in foreign currencies, they are translated as of the balance sheet date using the current exchange rates announced by the Czech National Bank against gains or losses from the revaluation of assets and liabilities in equity.

2.3 INVENTORY

Work in progress is valued at the cost of producing the inventory, which primarily consists of material and labour costs and other operating expenses based on the state of completion. Decrease in work in progress is measured by actual own costs.

2.4 RECEIVABLES

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisions for doubtful and bad amounts.

2.5 PAYABLES

Payables are recognised at nominal value.

2.6 INCOME TAX

Current tax payable 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 depreciation for accounting and tax purposes).

An income tax reserve is created as the financial statements are prepared before the tax liability is determined. In the subsequent reporting period, the Company releases this reserve and reports the actual tax liability determined.

In the balance sheet, the income tax reserve is reduced by income tax prepayments, and the net liability (if any) is recorded in 'Income tax reserve', and the net receivable (if any) is recorded in 'State – tax receivables'.

Deferred income tax is determined for companies constituting a group of companies and for all reporting entities with 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 reporting period.

A deferred tax asset is recognised only if it is probable that it will be utilised in future reporting periods.

2.7 LOANS RECEIVED

Short-term and long-term loans are initially recorded at their nominal value upon receipt. Upon the preparation of the financial statements, the loan balances are increased by outstanding interest charged by banks or other parties. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

2.8 FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated to CZK using the official exchange rate of the Czech National Bank effective on the date of acquisition of an asset or the occurrence of a liability.

Realised foreign exchange gains and losses are recognised in the income or expenses of the current year. As of the balance sheet date, assets and liabilities denominated in foreign currencies are translated using the prevailing official exchange rate of the Czech National Bank and all foreign exchange gains or losses from the revaluation of assets and liabilities are recognised in financial income or financial expenses (apart from equity investments, see Note 2.2.).

2.9 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 charged to expenses.

Dividend income is recognised when the shareholders' rights to receive payment have been established

2.10 USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

2.11 CONSOLIDATION

The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU. The Czech translation of the consolidated financial statements, along with the consolidated annual report, will be published in the Register of Companies.

The consolidated financial statements for the widest group of entities are prepared by EP Investment S.à r.l, with its registered office at 2, Place de Paris, L - 2314 Luxembourg. They will be available at the Company's registered office.

The Company does not prepare an annual report as of the date of these separate financial statements as it intends to include the relevant information in the consolidated annual report.

2.12 YEAR-ON-YEAR CHANGES IN ACCOUNTING POLICIES

In the reporting period for which the financial statements have been prepared, the Company made no changes to its accounting policies.

3. Other Significant Events

In the context of the ongoing military conflict in Ukraine and the related sanctions targeted 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 position, results of operations, cash flows and overall outlook.

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 its 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 caused by the ongoing military conflict in Ukraine that would require an adjustment to the respective valuations in the financial statements under applicable accounting regulations.

4. Cash flow statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents can be analysed as follows:

(CZK ‘000)

	Balance at 31 Dec 2022	Balance at 31 Dec 2021
Cash on hand	21	21
Cash at bank	36,576	45,447
Total	**36,597**	**45,468**

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

5. Additional Information

5.1 NON-CURRENT FINANCIAL ASSETS

EQUITY INVESTMENTS – CONTROLLED ENTITY

(CZK ‘000)

Company name	Amount of ownership interest	Total profit (+) /loss (-) for the period 1/1/2022–31/12/2022	Equity as of 31/12/2022	Value of ownership interest as of 31/12/2022	Value of ownership interest as of 31/12/2021
Equity investments – controlled entity					
Belfast Power Holdings Limited***	100%	1,550	56,005	151,653	164,063
Biomasse Servizi S.r.l.*	51%	2,002	20,015	3,813	3,930
Boldore*	100%	-57	1,943	2,090	2,090
EP BidCo Storage, a.s.	100%	-86	1,914	2,000	-
EP Commodities AG**	100%	-1,695,735	-1,661,657	2,450	-
EP Commodities, a.s.*	100%	17,382,968	20,319,581	734,695	734,695
EP CTA GmbH *	100%	-96	748	687	709
EP France Développement	100%	0	0	12,058	12,430
EP France S.A.S.**	100%	2,128,605	21,511,725	72,657	72,657
EP Hungary s.r.o.*	90%	-1,578	275,376	448,011	93,295
EP Netherlands**	100%	205,781	59,158	41,478	37,787
EP New Energy Italia S.r.l.**	51%	1,492,701	2,800,363	450,129	464,035
EP Power Minerals GmbH**	100%	92,112	1,356,575	1,373,677	1,379,390
EP Produzione S.p.A.**	100%	3,810,596	6,810,883	20,493,695	20,495,968
EP Resources AG**	100%	-1,164,171	1,341,011	2,327,120	240,660
EP Resources CZ a.s.*	100%	332,184	610,439	366,000	366,000
EP UK Investments Ltd**	100%	-2,528,807	6,721,956	5,814,274	6,324,092
EP Ukraine B.V.**	90%	-244	14,993	23,005	23,716
EPPE Germany, a.s.*	100%	-93	3,648,912	3,865,587	3,808,350
Greeninvest Energy, a.s.	42%	46,543	219,347	1	-
Industrial Park Opatovice s.r.o.	100%	-6	194	200	-
International Resource Invest AG	100%	-	-	2,940	-
Total				**36,188,220**	**34,223,867**
Equity investments in associates					
Ergosud S.p.A.**	50%	-244	14,993	1,538,127	1,539,614
GENETT GAS a.s.	30%	0	1,975	19,292	-
Total				**1,557,419**	**1,539,614**

* Data based on unaudited statutory financial statements of the companies.
** Data based on the interim financial statements prepared in accordance with IFRS.
*** Data as of 30 September 2022, the Company has a different year end.

Registered seats of the companies as of 31 December 2022 are as follows:

Belfast Power Holdings Limited	Tcb House, 9–11 Corporation Square, Belfast, County Antrim, Ireland
Biomasse Servizi S.r.l.	Via Vittorio Veneto 74, Rome, Italy
Boldore a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
EP BidCo Storage, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
EP Commodities AG	Theilerstrasse 1a, CH-6300 Zug, Switzerland
EP Commodities, a.s.	Klimentská 1216/46, Nové Město, 110 00 Prague 1, Czech Republic
EP CTA GmbH	Theresienhöhe 30, 80339 München, Germany
EP France Développement S.A.S.	2 Rue Berthelot 92400 Courbevoie, France
EP France S.A.S.	2 Rue Berthelot 92400 Courbevoie, France
EP Hungary s.r.o.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
EP Netherlands B.V. (formerly EP Yuzivska B.V.)	Schiphol Boulevard 477, C4, 1118BK Schiphol, Netherlands
EP New Energy Italia S.r.l.	Via Vittorio Veneto 74, Rome, Italy
EP Power Minerals GmbH	Duisburger Strasse 170, 46535 Dinslaken, Germany
EP Produzione S.p.A.	Via Vittorio Veneto 74, Rome, Italy
EP Resources AG	Theilerstrasse 1a, CH-6300 Zug, Switzerland
EP Resources CZ a.s.	Českobratrská 3321/46, Moravská Ostrava, 702 00 Ostrava, Czech Republic
EP UK Investments Ltd	Byron House, 7–9 St James's Street, London, UK
EP Ukraine B.V.	Schiphol Boulevard 477, C4, 1118BK Schiphol, Netherlands
EPPE Germany, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
Ergosud S.p.A.	Via Vittorio Veneto 74, Rome, Italy
GENETT GAS a.s.	Jemnická 345/5, Michle, 140 00 Prague 4, Czech Republic
Greeninvest Energy, a.s.	Příkop 843/4, Zábrdovice, 602 00 Brno, Czech Republic
Industrial Park Opatovice s.r.o.	č.p. 478, 533 45 Opatovice nad Labem, Czech Republic
International Resource Invest AG	Theilerstrasse 1a, CH-6300 Zug, Switzerland

IN 2022, THE FOLLOWING CHANGES IN NON-CURRENT FINANCIAL ASSETS WERE MADE:

On 18 January 2022, a 100% equity investment in Industrial Park Opatovice s.r.o. was acquired.

On 20 January 2022, the Company increased its equity investment in EP Resources AG in the form of an additional contribution to the share capital of CHF 30,000 thousand (CZK 701,040 thousand).

On 14 February 2022, a 42% equity investment in Greeninvest Energy, a.s. was acquired.

On 29 March 2022, the Company increased its equity investment in EPPE Germany, a.s. in the form of an additional equity contribution of CZK 12,238 thousand.

On 19 April 2022, EP BidCo Storage, a.s. was established.

On 25 April 2022, the Company increased its equity investment in EPPE Germany, a.s. in the form of an additional equity contribution of CZK 45,000 thousand.

On 20 May 2022, the Company increased its equity investment in EP Hungary s.r.o. in the form of an additional equity contribution of CZK 31,482 thousand.

On 26 July 2022, a 30% equity investment in GENETT GAS a.s. was acquired.

On 4 August 2022, the Company increased its equity investment in EP Power Minerals GmbH in the form of an additional equity contribution of EUR 1,473 thousand (CZK 36,332 thousand).

On 24 October 2022, the Company increased its equity investment in EP Resources AG in the form of an additional equity contribution of CHF 55, 000 thousand (CZK 1,366,200 thousand).

On 28 November 2022, EP Commodities AG was established.

On 9 December 2022, the Company increased its equity investment in EP Netherlands B.V. in the form of an additional equity contribution of EUR 200 thousand (CZK 4,859 thousand).

On 19 December 2022, a 100% equity investment in International Resource Invest AG (formerly EP Commodities Solutions AG) was acquired.

On 21 December 2022, the Company increased its equity investment in EP Hungary s.r.o. in the form of an additional equity contribution of CZK 323,234 thousand.

5.2 INVENTORY

Work-in-progress includes own costs of provided consultation services for unfinished projects. Unfinished projects are held on the balance sheet until they are closed and invoiced to the counterparty.

5.3 LONG-TERM RECEIVABLES

RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2022
EP Power Minerals GmbH	482,300	-*
EP UK Investments Ltd	3,345,600	172,514
Total	**3,827,900**	**172,514**

* Outstanding interest is presented in Short-term receivables.

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2021
Energetický a průmyslový holding, a.s.	1,980,706	-*
EP UK Investments Ltd	3,638,955	82,111
EPPE Germany, a.s.	4,972	7
Total	**5,624,633**	**82,118**

* Outstanding interest is presented in Short-term receivables.

5.4 SHORT-TERM RECEIVABLES

TRADE RECEIVABLES

Trade receivables amount to CZK 192,477 thousand (as of 31 December 2021: CZK 130,198 thousand). As of the balance sheet date, there are no trade receivables with a maturity exceeding 5 years.

RECEIVABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2022
Belfast Power Holdings Limited	5,452	-
Energetický a průmyslový holding, a.s.	5,592,498	7,318
International Resource Invest AG	7,957,950	3,650
EP CTA GmbH	724	-
EP France S.A.S.	3	3
EP Power Minerals GmbH	-*	2,557
EP UK Investments Ltd	13,087,891	44,181
EPPE Germany, a.s.	1,929	-
Total	**26,646,447**	**57,709**

* Outstanding principal is presented in Long-term receivables.

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2021
Energetický a průmyslový holding, a.s.	-*	179
EP CTA GmbH	746	-
EP France S.A.S.	2	4
EP UK Investments Ltd	30,604,123	39,592
Belfast Power Holdings Limited	5,930	-
Total	**30,610,801**	**39,775**

* Outstanding principal is presented in Long-term receivables.

STATE – TAX RECEIVABLES

As of 31 December 2022, this item principally includes a receivable arising from other direct taxes in the amount of CZK 43,307 thousand and a receivable arising from value-added tax in the amount of CZK 15,905 thousand.

As of December 2021, this item principally includes a receivable arising from other direct taxes in the amount of CZK 57,202 thousand and a receivable arising from value-added tax in the amount of CZK 9,667 thousand.

SUNDRY RECEIVABLES

As of 31 December 2022, sundry receivables principally include interest arising from a loan granted to an unrelated party in the amount of CZK 3,355 thousand and other receivables from operating activities in the amount of CZK 4 thousand.

As of 31 December 2021, sundry receivables principally include a receivable arising from a loan granted to an unrelated party in the amount of CZK 37,812 thousand (including outstanding interest of CZK 17 thousand) and other receivables from operating activities in the amount of CZK 228 thousand.

5.5 EQUITY

As of 31 December 2022, EPPE has a total of 117,631 ordinary certificated registered shares with a nominal value of CZK 200 thousand per share; the Company's registered capital thus amounts to CZK 23,526,200 thousand.

On 3 August 2022, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 36,288 thousand, which was paid in cash.

On 8 November 2022, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 1,350,030 thousand, which was paid in cash.

On 21 December 2022, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 322,860 thousand, which was offset against the loan granted.

On 22 December 2022, the Company's shareholder provided EPPE with an additional equity contribution in the amount of CZK 122,969 thousand, which was paid in cash.

The change in Gains or losses from the revaluation of assets and liabilities is caused by the exchange rate gains/losses arising from the revaluation of equity investments denominated in foreign currencies.

On 10 May 2022, the General Meeting decided to transfer the 2021 profit to the accumulated losses/profits account.

On 10 May and 25 July 2022, the sole shareholder of the Company decided on the payment of dividends of CZK 3,333,675 thousand. The dividends were paid in cash.

As of the date of approval of the financial statements, there is no proposal for distribution of the current year's profit in place yet. The proposal for distribution will be prepared by the Board of Directors for the Company's shareholder and subsequently discussed and approved at the General Meeting.

Other profit or loss from prior years includes a correction of an accounting error made in 2019 when indirect acquisition costs arising from the acquisition of an equity investment in EP France S.A.S. in the amount of CZK 72,655 thousand were recognised in expenses instead of non-current financial assets.

No treasury shares were acquired during the 2022 reporting period.

5.6 LONG-TERM PAYABLES

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2022
Energetický a průmyslový holding, a.s.	4,193,900	166,565
Total	**4,193,900**	**166,565**

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2021
EP Produzione S.p.A.	1,945,620	-*
Energetický a průmyslový holding, a.s.	4,004,955	79,279
Total	**5,950,575**	**79,279**

* Outstanding interest is presented in Short-term payables.

5.7 SHORT-TERM PAYABLES

TRADE PAYABLES

Total trade payables amount to CZK 97,372 thousand (as of 31 December 2021: CZK 91,621 thousand). As of the balance sheet date, there are no trade payables with a maturity exceeding 5 years.

PAYABLES – CONTROLLED OR CONTROLLING ENTITY

31 DECEMBER 2022

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2022
Energetický a průmyslový holding, a.s.	21,452,101	49,436
Saale Energie GmbH	6,269,536	9,356
Total	**27,721,637**	**58,792**

* Outstanding interest is presented in Short-term payables.

As of 31 December 2021, the Payables – Controlled or controlling entity also include a payable to EP Hungary s.r.o. arising from the outstanding balance of the offset for an additional equity contribution and the option sold in the amount of CZK 2,281 thousand.

31 DECEMBER 2021

(CZK '000)

Counterparty	Principal	Outstanding interest as of 31/12/2021
Energetický a průmyslový holding, a.s.	31,682,657	38,784
EP Produzione S.p.A.	-	47,765*
Total	**31,682,657**	**86,549**

* Outstanding principal is presented in Long-term payables.

As of 31 December 2021, Payables – controlled or controlling entity also include a payable to EP Hungary s.r.o. arising from the outstanding offset amount for the additional equity contribution and the sold options in the amount of CZK 2,281 thousand.

ESTIMATED PAYABLES

As of 31 December 2022, estimated payables principally include unbilled expenses of legal advisory in the amount of CZK 9,367 thousand as well as guarantee expenses in the amount of CZK 4,873 thousand (as of 31 December 2021: CZK 39,140 thousand).

Payables arising from social and health insurance are not past due.

5.8 INCOME AND EXPENSES

The increase in sales was influenced by the provision of centralised in-house services, especially in the areas of controlling, financial management, legal advisory, central procurement, and IT.

Services principally include expenses arising from bookkeeping, auditing, consolidation, as well as legal, advisory and notary services.

Sundry operating income and sundry operating expenses principally include income from re-billing and expenses arising from insurance and accounting for the VAT coefficient.

Income from equity investments – controlled or controlling entity principally includes income from a declared dividend of EP Produzione S.p.A in the amount of CZK 2,959,440 thousand (as of 31 December 2021: CZK 3,397,890 thousand) and EP Commodities, a.s. in the amount of CZK 850,000 thousand (as of 31 December 2021: CZK 0 thousand) and EP New Energy Italia S.r.l. in the amount of CZK 374,621 thousand (as of 31 December 2021: CZK 296,300 thousand) and in 2021 also income from the sale of equity investments in the total amount of CZK 2,500 thousand.

Other financial expenses and other financial income mainly represent foreign exchange losses and foreign exchange gains, respectively, income and expenses relating to guarantees and assigned receivables.

5.9 INCOME TAX

The current income tax estimate and overview of income tax prepayments as of 31 December 2022 and as of 31 December 2021 are shown below:

	Balance as of 31/12/2022	Balance as of 31/12/2021
Current income tax estimate	26,223	1,590
Current income tax prepayments	-7,295	-9,204
Corporate income tax overpaid 2019/2018	-3,760	-3,760
Income tax reserve (+) / State – tax receivables (-)	**15,168**	**-11,374**

Expenses of CZK 29,185 thousand in 2022 represent the income tax reserve of CZK 26,223 thousand and the difference between the tax liability for 2021 and the release of the income tax reserve created as of 31 December 2021 in the amount of CZK 2,962 thousand.

Expenses in the amount of CZK 1,590 thousand in 2021 represent an income tax reserve.

5.10 INFORMATION ON RELATED PARTIES (EXCLUDING PREVIOUSLY-MENTIONED BALANCES)

Pursuant to Regulation No. 500/2002 Coll, Section 39b (8), the Company does not disclose transactions concluded between reporting entities of the EPPE consolidation group if these consolidated reporting entities are fully owned by the Company.

In addition to income from re-billing and income described in more detail in other Notes above, the Company reported the following income from related parties that are not fully owned by the Company.

(in CZK thousand)

	2022 Income	2022 Expenses	2021 Income	2021 Expenses
Interest income/expenses	67,652	324,022	95,731	256,528
Sales of services/purchased consumables and services	62,706	82,465	54,604	59,810
Other operating income/expenses	-	132	-	129
Other financial income/expenses	141,230	22,281	8,378	39,140
Total	**271,588**	**428,900**	**158,713**	**355,607**

5.11 EMPLOYEES, EXECUTIVES AND STATUTORY BODIES

The average number of the Company's employees during the reporting period was 36 (as of 31 December 2021: 47).

The members of the Company's Board of Directors, Supervisory Board or executives did not receive any advantages (advances, earnest money, loans etc.) as a result of performing their duties in 2022 and 2021.

5.12 SIGNIFICANT OFF-BALANCE SHEET TRANSACTIONS

The Company reports off balance sheet a payable arising from guarantees provided to group companies totalling CZK 4,092,243 thousand (as of 1 January 2021: CZK 2,685,038 thousand) and a receivable totalling CZK 1,205,748 thousand (as of 1 January 2021: CZK 1,242,998 thousand), which is the difference between the nominal value and acquisition cost of EPPE's receivable from EP France obtained during the acquisition of the EP France group.

6. Significant Subsequent Events

In January 2023, a revolving loan was granted and partially repaid under the agreement of 20 December 2022 with EP Netherland B.V as the borrower, with a credit facility of EUR 700,000 thousand maturing in 2027.

Apart from the matters disclosed above and elsewhere in these notes to the financial statements, management is not aware of any other material subsequent events that may have an impact on the financial statements as of 31 December 2022.

Prepared on: 31 March 2023

Pavel Horský
Vice-chairman of the Board of Directors

Marek Spurný
Vice-chairman of the Board of Directors