

A photograph of an industrial facility, likely a gas or electricity processing plant. In the foreground, there are large red valves and pipes. In the background, there are more complex structures, including a tall tower and various pipes and tanks. The sky is blue with some clouds.

# Transmission Distribution Storage

## Gas Electricity Heat

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**Annual financial report  
for the year 2023**

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» **We stood firm in our dedication to providing essential infrastructure solutions, contributing to Europe's energy security, and achieving strong financial results.**

Daniel Křetínský Chairman of the Board of Directors

## Introduction by the Chairman of the Board of Directors

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Independent Auditor's Report to the Statutory Financial Statements

Statutory Financial Statements and Notes to the Statutory Financial Statements

## Dear Investors, Business partners, Colleagues and Friends,

We are pleased to present EP Infrastructure, a.s. ("EPIF") Annual Report for the year 2023. This report builds upon the achievements and learnings from the preceding years, offering a concise overview of our operations, financial performance, and proactive response to evolving market dynamics. Reflecting upon challenges and successes, EPIF remains committed to achieving strong financial results, fostering adaptability, and promoting sustainability.

The resilience of EPIF was tested amid covid pandemic, geopolitical uncertainties, notably the military aggression in Ukraine, which had a profound impact on energy markets. Despite these challenges, we stood firm in our dedication to providing essential infrastructure solutions, contributing to Europe's energy security, and achieving strong financial results. EPIF again confirmed its role of the major infrastructure player in the Central European region by delivering reliable, quality, and affordable service to its customers.

In 2023, the European gas market faced several notable developments. Following a mild winter in 2022/2023 and reduced gas demand due to price hikes in the previous year, European gas storage inventories ended the season with a significant surplus.

This surplus, combined with increased LNG imports, led to a gradual decline in gas prices throughout the year, although there was a slight uptick in the last quarter of 2023 due to escalating conflicts in the Middle East. Despite this downward trend, prices remained elevated compared to the period from 2007 to 2021. The supply-side constraints persisted in the market, contributing to continued price volatility in the market. Moreover, the conflict in Ukraine led to widening price differentials between major EU markets and regions.

The EU's total piped natural gas and LNG imports<sup>1</sup> (including imports from the UK) for the year 2023 totalled approximately 318 billion cubic meters ("bcm"), marking a 12.8% decline compared to the previous year. This decline was predominantly driven by a substantial decrease in Russian piped natural gas supplies, which fell by 56.2% to 29.5 bcm. Conversely, LNG imports, primarily sourced from the United States, increased slightly by 3.7% year-on-year, reaching around 132 bcm (a significant 80% increase compared to 2021).

Despite turbulence in energy markets, EPIF continues to fully embrace the principles of the European energy transition. We have diligently aligned our strategies with the EU's decarbonization goals and designated

<sup>1</sup> Information about EU gas imports is based on the data available at <https://www.bruegel.org/dataset/european-natural-gas-imports>.



Daniel Křetínský

specific roles for each asset within a net-zero energy system. Our dedication to supporting the EU climate objectives is evident from our significant investment in activities aligned with the EU Taxonomy, demonstrating our commitment to sustainability and environmental responsibility. EPIF has established clear decarbonization commitments with specific targets and deadlines. These include a 60% reduction in CO<sub>2</sub> emissions between 2022 and 2030, a 30% reduction in methane emissions between 2020 and

2030, aiming for carbon neutrality by 2040, and achieving net-zero emissions by 2050. Our decarbonization strategy is built on several key pillars, including the conversion of lignite heating plants to hydrogen-capable gas-fired units and waste-to-energy plants by 2030, the gradual adaptation of our gas infrastructure to accommodate renewable gases, the reinforcement and implementation of smart solutions in electric grid, and the implementation of robust leak detection and repair programs to control methane leakage.

To reinforce our decarbonization strategy and link the future financing proceeds to the execution of our transition plan, EPIF introduced its inaugural Green Finance Framework in August 2023. Seeking validation of our efforts, we obtained Second Party Opinions (“SPO”) on this Framework. We were pleased to announce that Shades of Green, now part of S&P Global, awarded our Framework a “Light Green” shading, while Sustainable Fitch granted it a “Good” qualification. Both SPO providers have affirmed that our Framework aligns with the ICMA Green Bond Principles.

Our diversified portfolio, comprising the transmission, distribution and storage of natural gas, the distribution of electricity and district heating operations, establishes us as a pivotal player in the Central European energy landscape. Each segment within our portfolio holds strategic importance, contributing to our overall success. Committed to ensuring the sustained prosperity of each segment, we prioritize strategic investments in technology, infrastructure, and sustainability initiatives.

In spite of the aforementioned market dynamics, EPIF Group achieved strong results in 2023. Despite a 16% decrease in consolidated Adjusted EBITDA<sup>2</sup> to EUR 1,217 million compared to the previous year, our Adjusted Free Cash Flow<sup>3</sup> improved by 35% reaching EUR 1,012 million. Consequently, our proportionate leverage ratio decreased to 2.7× Net Debt/EBITDA. In terms of EPIF Group’s capital structure, our primary focus continues to be centred around maintaining an investment-grade rating and upholding associated leverage levels. EPIF demonstrated resilience amidst two turbulent years, navigating regulatory and legislative changes in response to energy market crises, including price caps for power producers and taxes on windfall profits, managing liquidity challenges arising from

commodity exchange margin requirements due to commodity price fluctuations. In terms of individual segment contribution to the overall results, the Gas Transmission segment’s share of Adjusted EBITDA further declined to 11% (compared to 22% in 2022), mainly due to one-off risk mitigating measures coupled with decreasing volumes and gas prices. Similarly, the Heat Infra business’s contribution declined to 10% (from 14% in 2022) owing to reduced power prices. Conversely, the Gas and Power Distribution segment experienced a proportional rise, accounting for 49% (up from 38% in 2022) of Adjusted EBITDA, driven by improved Slovak supply business. Meanwhile, the Gas Storage segment maintained its strong position, contributing 30% (up from 26% in 2022) to the overall results.

The Gas Transmission segment’s performance in 2023 was adversely impacted by one-off risk mitigating measures, leading to a decline in profitability. EBITDA declined to EUR 139 million, marking a 57% year-on-year drop. Furthermore, the segment encountered significant challenges stemming from a substantial decrease in Russian piped gas flows, a trend that persisted from 2022 into 2023. Eustream shipped 16 bcm of natural gas, down from 26 bcm in 2022. Despite these challenges, there are some encouraging developments to highlight. The completion of the Slovak–Polish interconnector in 2022 has facilitated product diversification, particularly with LNG from Poland, offering some mitigation against adverse geopolitical impacts. This development has ensured the adaptability of Eustream’s pipeline to accommodate gas flows from various sources and flow patterns. Eustream is now fully prepared and authorised to operate as a multi-directional Transmission System Operator (TSO), serving markets such as Slovakia, Austria, Hungary, Ukraine, Slovenia, and Italy. These markets are



Gary Mazzotti

expected to have sustained demand for gas in the medium term, particularly in light of the stringent decarbonization goals set by the EU. We believe that achieving these targets without relying on gas as a transitional fuel is improbable, therefore, Eustream is assumed to maintain its significant role in gas transit in the CEE region, regardless of the availability of the Russian piped gas supplies. Furthermore, ongoing investments in a hydrogen-ready network signify potential for reinforcing adaptability and resilience in the long term.

The Gas Storage segment, crucial for mitigating supply disruptions and accommodating stringent decarbonisation strategies set by the EU, continued to demonstrate its importance in 2023. The segment’s resilience was evident in the face of high demand for services and elevated storage prices, with EBITDA remaining broadly stable at EUR 365 million, realising only a modest decline of 4%. Investments in operational security, technology, and automation position us for well to sustain

solid results in this vital area. We reiterate our belief that our storage facilities, boasting an overall storage capacity of almost 62 TWh, feature ample technical parameters to seize occurring opportunities in a transforming market. The Storage Segment is expected to play a consistently significant role in our operations, making a substantial contribution to our profits.

In Gas and Power Distribution, our focus on efficiency, smart solutions, network renovation to achieve increased security and leakage reduction, and preparedness for emerging trends like hydrogen distribution remains unchanged. This commitment was reflected in increased total capital expenditures, surpassing EUR 100 million in 2023 compared to EUR 85 million in 2022. EBITDA of the Gas and Power Distribution segment improved in 2023 by 7% to EUR 596 million, primarily driven by the improved Slovak supply operations. Despite a decline in gas demand, SPP Distribúcia, the Slovak regulated natural monopoly, continued to contribute reliably to overall Group performance. Gas distribution volumes decreased slightly in 2023 (45.5 TWh in 2023 compared to 48.3 TWh in 2022), mainly among large customers with lower unit prices, resulting in a relatively marginal financial impact. Stredoslovenská distribučná, the monopoly electricity distributor in central Slovakia, improved its performance despite a decrease in electricity volumes distributed in 2023 (6 TWh, implying 5% year-on-year volume drop), primarily due to an improved network loss margin. Power Distribution System Operators' financial performance is partially protected against the decrease in distributed commodity volumes, as a significant portion of distribution tariffs is fixed. Tariff settings primarily impact households and small entrepreneurs, with less impact on large industrial customers. The current regulatory period lasts until 2027, offering a reasonable level of cash flow predictability

throughout this timeframe. On a supply side, SSE performance substantially improved due to better supply margins and lower costs of imbalances, compared to 2022 when it was negatively impacted by fulfilling the supplier of the last resort duties at high spot prices. Conversely, the supply business in the Czech Republic experienced a relative decline in 2023, as the extraordinary profits of 2022 were not repeated, as expected.

The Heat Infra segment's financial performance in 2023 declined on the back of the relative normalization of power market conditions, with EBITDA decreasing by 37% to EUR 124 million. This decline was mainly attributable to a decrease in heat offtakes and reduced power spreads, leading to a decline in ancillary services related to grid-balancing power production. Heat offtakes experienced a 5% year-on-year drop, primarily influenced by milder weather conditions. The decrease in electricity prices, driven by declining gas prices, coupled with sustained higher levels of CO<sub>2</sub> allowance costs, negatively affected power spreads. Consequently, the Heat Infra segment scaled back its electricity production volume to 1.5 TWh, representing a 40% decrease compared to the previous year. Due to heightened cost pressures, we were compelled to adjust our heat offtake prices by approximately 24% on average in 2024. Nonetheless, we continue to position ourselves as the most competitively priced heat suppliers in the Czech market. Our net capital expenditures of approximately EUR 0.6 billion (equals to gross amount less assumed subsidies) in the following years will be driven by our firm commitment to reduce carbon emissions by 60% and phase out lignite as our primary energy source by 2030, while ensuring continuity of supplies at affordable prices for end consumers. Lignite-fired assets are going to be converted to a balanced mix of highly efficient gas-fired plants, biomass units and waste incinerator

plants. The new technologies might combust also emission-neutral synthetic gases or hydrogen once there is a relevant market for those gases in place. The conversion projects are in an advanced preparatory phase with the procurement process ongoing and applications for subsidies on all projects in total amount of EUR 0.7 billion submitted, out of which EUR 0.2 billion has been already approved.

Looking ahead, we are mindful of market and geopolitical uncertainties across the

world and the imperative of transitioning to a low-carbon economy. Our diversified business, strong leadership, prudent risk management, supportive shareholders, and the dedication of our employees position us well for the future. We extend our gratitude to our customers, employees, and business partners, all of whom have played a crucial role in our success. Together, we look forward to continuing our efforts to uphold the principles of sustainability and create long-term value for our investors. We owe our success to all of you.

Thank you for your trust and collaboration.



Daniel Křetinský  
Chairman of EPIF Board of Directors



Gary Mazzotti  
Vice-chairman of EPIF Board of Directors and CEO



2 Adjusted EBITDA represents profit (loss) for the year before income tax, finance expense, finance income, impairment losses on financial instruments and other financial assets, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, depreciation of property, plant and equipment and amortisation of intangible assets and negative goodwill and impairment charges relating to property, plant and equipment and intangible assets adjusted by adding back the deficit from the purchase of electricity to cover network losses of the current year stemming from the difference between (i) regulated price of electricity to cover network losses valid for the current year, which is a fixed price calculated in line with the Slovak Decree of the Regulator No. 18/2017 Coll., Article 28, and (ii) spot market price at which electricity is being bought to cover network losses of the current year; and deducting the correction amount (also set by the Slovak Decree of the Regulator No. 18/2017 Coll., Article 28) which is supposed to compensate for the difference between the regulated price and spot market purchase price (2023: EUR 0 million; 2022: EUR -18 million).

Decree means the Slovak Decree of the Regulator No. 18/2017 Coll. (or any other applicable decree or law replacing it).

Reconciliation is as follows:

Key Metrics	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	Total segments	Other	Holding entities	Intersegment eliminations	Consolidated financial information
Year 2023									
Profit (loss) for the year	(6)	274	253	57	578	(3)	403	(443)	535
Income tax	(2)	87	81	21	187	–	1	–	188
Finance income	(5)	(28)	(16)	(17)	(66)	–	(502)	494	(74)
Finance expense	35	19	8	3	65	1	88	(51)	103
Impairment losses on financial instruments and other financial assets	–	4	2	–	6	–	–	–	6
Depreciation, amortisation and impairment	117	240	37	60	454	4	1	–	459
Underlying EBITDA	139	596	365	124	1,224	2	(9)	–	1,217
Network losses correction	–	–	–	–	–	–	–	–	–
Adjusted EBITDA	139	596	365	124	1,224	2	(9)	–	1,217

Key Metrics	Gas Transmission	Gas and Power Distribution	Gas Storage	Heat Infra	Total segments	Other	Holding entities	Intersegment eliminations	Consolidated financial information
Year 2022									
Profit (loss) for the year	168	228	263	115	774	1	504	(578)	701
Income tax	55	74	85	27	241	1	11	–	253
Finance income	(69)	(15)	(2)	(6)	(92)	–	(634)	625	(101)
Finance expense	31	22	4	2	59	1	83	(47)	96
Impairment losses on financial instruments and other financial assets	–	–	1	–	1	–	(5)	–	(4)
Depreciation, amortisation and impairment	139	229	28	60	456	2	34	–	492
Underlying EBITDA	324	538	379	198	1,439	5	(7)	–	1,437
Network losses correction	–	18	–	–	18	–	–	–	18
Adjusted EBITDA	324	556	379	198	1,457	5	(7)	–	1,455

3 Adjusted Free Cash Flow represents Cash flows generated from (used in) operations, less Income taxes paid and less Acquisition of property, plant and equipment, investment property and intangible assets, less Purchase of emission rights and disregarding changes in restricted cash as presented in the consolidated statement of cash flows of the Group, adjusted for: (i) working capital impact of the SOT (2023: EUR 11 million; 2022: EUR 64 million), (ii) Underlying EBITDA effect of the network losses correction (2023: EUR 0 million; 2022: EUR -18 million), (iii) working capital impact of the network losses correction (2023: EUR 0 million; 2022: EUR -47 million).



# reliable services

» **EPIF confirmed its role of the major infrastructure player in the Central European region by delivering reliable, quality, and affordable service to its customers.**

EP Infrastructure 2023 Annual Report

## Independent Auditor's Report to the Annual Financial Report

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Statutory Financial Statements and Notes to the Statutory Financial Statements



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“THE REPORT BELOW REPRESENTS THE AUDITOR’S REPORT  
THAT RELATES SOLELY AND EXCLUSIVELY TO THE OFFICIAL  
ANNUAL FINANCIAL REPORT PREPARED IN THE XHTML FORMAT.”

# INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF EP INFRASTRUCTURE, A.S.

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

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the accompanying consolidated financial statements of EP Infrastructure a.s. (the “Company”) and its subsidiaries (the “Group”) prepared on the basis of International Financial Reporting Standards (IFRS® Accounting Standards) as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

### BASIS FOR OPINION

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council 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.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Revenue recognition of accrued energy delivery	<div><div><p>The group recognized revenues from energy distribution as stated in Note 7. Material part of these revenues for energy delivered to customers is estimated at the year end, because the metering period for customers is different. Meter reading and invoicing is performed after the year end. These revenues make a significant part of total annual revenues and are subject to a complex judgement in this area, which is the reason for this being a key audit matter.</p></div><div><ul style="list-style-type: none"><li>- We have obtained understanding of the design and implementation of relevant controls over the determination of the amounts of energy not yet invoiced.</li><li>- Testing the accuracy of a sample of data on which estimate is made, including reconciliation of input parameters to underlying documentation.</li><li>- Testing whether the assumptions used are appropriate given the measurement objective and analytical testing of the balance accrued.</li><li>- Assessment of the Group’s revenue recognition policy for compliance with IFRS Accounting Standards as adopted by the European Union.</li><li>- Assessment whether the Group’s revenue recognition-related disclosures in the consolidated financial statements describe the relevant quantitative and qualitative information required by IFRS Accounting Standards as adopted by the European Union.</li></ul></div></div>
Valuation of energy fixed assets	<div><div><p>The group business is based on major energy fixed assets (pipes, storages, plants) that are depreciated over estimated useful life determined by the management judgement derived from trends in industry and its macroeconomic outlook and political directions which affect its valuation. The group makes an assessment whether the carrying amount of fixed assets including goodwill is impaired by calculating the present value of future cash flows arising from the Group’s operations as noted in Note 3i, Note 15 and 16. An impairment test of these assets requires determining the estimates of the following key calculation inputs:</p></div><div><ul style="list-style-type: none"><li>- Future cash flows of each cash-generating unit.</li><li>- The discount rate specific to the assets owned by the Group.</li><li>- The weighted cost of capital.</li></ul></div><div><p>The above assumptions require management to make highly-subjective judgements regarding long-term periods, including the impact of the sustainability concept, financial performance of the investments, future of the energy sector in Europe – including the development of the military conflict of Russian Federation in Ukraine and related sanctions – and the use of discounts. The complexity of judgement involved in the valuation is the reason for this being a key audit matter.</p></div></div> <div><ul style="list-style-type: none"><li>- Our audit procedures included assessment of the appropriateness of the valuation method and testing of the measurement of carrying amounts.</li><li>- Our procedures also included inquiries of the management concerning year-on-year changes in the fixed assets book values.</li><li>- Assessment of the impact of changes and expected changes in the sustainability concept, potential impact of the military Conflict between Russian federation and Ukraine and reading management meeting minutes.</li><li>- We evaluated the appropriateness of management’s identification of the Group’s CGUs.</li><li>- We obtained an understanding of the budget preparation and impairment assessment process, including indicators of impairment.</li><li>- We used the work of an internal specialist for the assessment of asset impairment testing models prepared by management, their assumptions and the reliability of these assumptions and recalculation.</li></ul></div>

## OTHER INFORMATION IN THE ANNUAL FINANCIAL REPORT

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Financial Report other than the financial statements, consolidated financial statements and auditor's reports 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 financial statements, consolidated financial statements is, in all material respects, consistent with the financial statements, consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

## RESPONSIBILITIES OF THE COMPANY'S BOARD OF DIRECTORS AND SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Information required by Regulation (EU) No 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

## APPOINTMENT OF THE AUDITOR AND THE PERIOD OF ENGAGEMENT

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 5 March 2020 and our uninterrupted engagement has lasted for 4 years.



## CONSISTENCE WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

## PROVISION OF NON-AUDIT SERVICES

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements.

## REPORT ON COMPLIANCE WITH THE ESEF REGULATION

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements included in the Annual Financial Report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statement.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Company's Board of Directors is responsible for the preparation of the financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal control relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the Annual Financial Report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

## AUDITOR'S RESPONSIBILITIES

Our task is to express a conclusion whether the financial statements included in the Annual Financial Report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal control relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether:

- The financial statements included in the Annual Financial Report were prepared in the valid XHTML format;
- The disclosures in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
  - XBRL mark-up language was used;
  - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
  - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## CONCLUSION

In our opinion, the Company's financial statements for the year ended 31 December 2023 included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 19 March 2024

Audit firm:

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

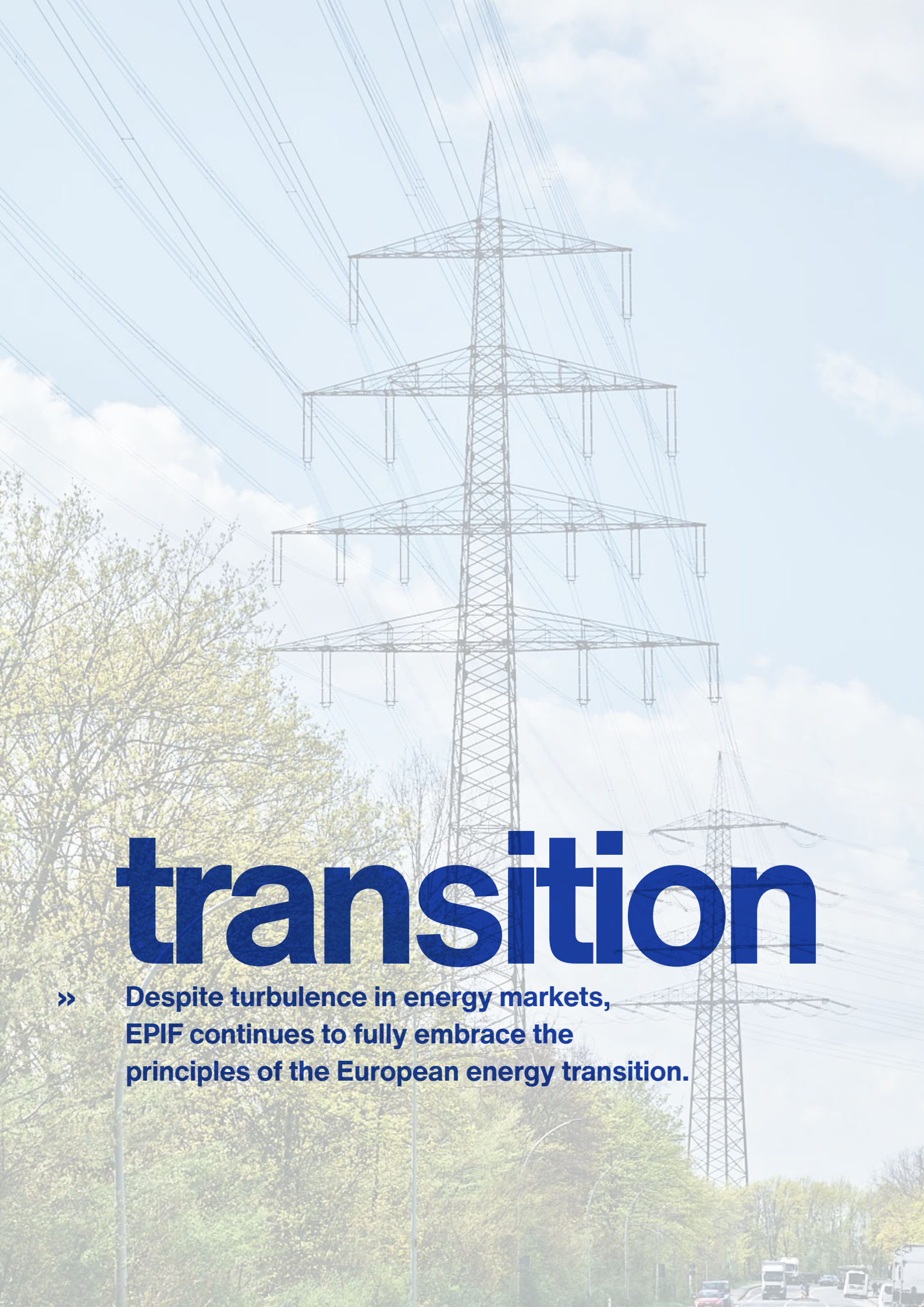


Statutory auditor:

David Batal  
registration no. 2147







# Other Information

Introduction by the Chairman of the Board of Directors

Independent Auditor's Report to the Annual Financial Report

**Other Information**

Report on relations

Consolidated Financial Statements and Notes to the Consolidated Financial Statements

Independent Auditor's Report to the Statutory Financial Statements

Statutory Financial Statements and Notes to the Statutory Financial Statements

» **transition**  
Despite turbulence in energy markets,  
EPIF continues to fully embrace the  
principles of the European energy transition.



## 1. Development of the EP Infrastructure, a.s. Group („EPIF Group“ or “Group”)

### RECENT DEVELOPMENTS AND KEY EVENTS FOR EPIF GROUP

In 2023, the natural gas markets experienced a gradual rebalancing following the gas supply shock of 2022. This rebalancing was facilitated by market forces (incl. demand reductions), policies actions and favourable weather conditions. While gas prices decreased significantly from their 2022 highs, they remained elevated compared to historical averages. Price volatility remained high, largely fuelled by tight gas supplies, geopolitical tensions (Ukraine, Middle East), and unplanned outages. Moreover, price differentials between major EU markets and regions have steadily widened since the onset of the conflict in Ukraine, while hub liquidity across key markets improved due to higher trading activity.

European gas imports (EU27) totalled approximately 318 bcm in 2023<sup>1</sup>, marking a 12.8% decline from the previous year. This reduction was primarily attributed to diminished supplies of Russian piped natural gas, which plummeted by 56.2% to 29.5 bcm, representing 9% share on total imports. Russian piped gas supply via the Yamal, Nord Stream 1 and 2 pipelines has been completely terminated with no deliveries via these routes in 2023. The natural gas flows through Brotherhood pipeline (one of the two routes along with TurkStream, through which Russian gas flows to Europe have not been interrupted) continued to flow via connection point Velke Kapusany at approx. 36 mcm/day (broadly constant volume of flows since May 2022, after the declaration of force majeure on the transit of Russian gas at Sokhranivka). Conversely, LNG imports saw

a slight increase of 3.7% year-on-year, reaching around 132 bcm, comprising almost 42% share on total imports, corresponding with pre-crisis Russian piped gas share. Gas demand in 2023<sup>2</sup> appears to adequately align with supply reductions, realizing 19% drop compared to 2019-2021 average, with proportionate decreases being evenly distributed among respective sectors (power, industry and households).

Because of a mild winter and reduced demand on the back of high prices, storage withdrawals during the 2022/23 heating season were almost 40% below their five-year average, resulting in storage sites opening the 2023 gas summer season 55% full. Storage injections fell below their five-year average in Q2-Q3 2023, although inventory levels remained above average<sup>3</sup>. Additionally, a meaningful difference between the gas forward prices for summer 2023 and those for winter 2023/2024, commonly referred to as the summer-winter spread (SWS), persisted throughout 2023, positively impacting the prices of seasonal storage services.

Electricity prices followed similar price pattern as gas due to merit order price setting mechanism. The decrease in electricity prices, driven by declining gas prices, coupled with sustained higher levels of CO<sub>2</sub> allowance costs, negatively affected power spreads, which were substantially below their 2022 levels, negatively impacting Heat Infra business.

After addressing the challenges of the COVID pandemic and the energy price shock triggered by Russia's invasion of Ukraine, Europe faced the

difficult task of restoring price stability while fostering economic growth. High inflation has been somewhat alleviated by declining commodity prices, though significantly tightened monetary policies, reflected in substantially higher interest rates, and the gradual reduction of government fiscal support also played a role. The lingering effects of 2022 energy price shocks and tighter policies have also contributed to economic slowdown in 2023. Countries with larger manufacturing or energy-intensive sectors were slowing more than those that depend on services and tourism. Moreover, global shifts from geoeconomic fragmentation and the current impact of climate change have introduced new economic challenges that exacerbate longstanding growth issues.

From a regulatory standpoint, a new regulatory period in the distribution business commenced in 2023 and will last until 2027. Tariff stability has been confirmed, now including a separate tariff for network losses to cover the increased costs incurred due to higher gas prices, along with a correction mechanism aimed at mitigating volume risk at gas distribution.

To meet the EU's target of cutting greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, the Energy Efficiency Directive has been revised along with other energy and climate regulations. The revised Energy Efficiency Directive (EU/2023/1791), published in September 2023, prioritizes “energy efficiency first” as a guiding principle, requiring EU countries to consider energy efficiency in all relevant policy and investment decisions. It also raises the EU's energy efficiency target, mandating an additional 11.7% reduction in energy consumption by 2030 compared to the 2020 reference scenario projections. Furthermore, the revised directive focuses on alleviating energy poverty, empowering consumers, and enhancing regulations related to energy audits, technical competence, and investments reporting. Additionally,

it addresses heating and cooling systems and introduces monitoring obligations for data centers to ensure sustainability and energy efficiency.

### EXPECTED DEVELOPMENT FOR THE EPIF GROUP

Looking ahead the European gas market remains challenging due to demand uncertainty and various risks. Despite ample storage inventories and gas demand below pre-crisis levels, tight market conditions persist, with asymmetric upside risks to prices. Factors such as colder weather, LNG diversions to Asia, LNG supply risks, Russian pipeline risks, and potential European demand recovery pose uncertainties that could reignite market tensions, amplify price volatility and drive prices higher.

In this context, the European Green Deal plays a significant role, presenting ambitious objectives and comprehensive policies aimed at achieving climate neutrality by 2050. It sets notable challenges and serves as an important framework for shaping the future of European energy market and industry. Additionally, geopolitical tensions, particularly the potential escalation of conflicts in Ukraine and the Middle East, further complicate the energy market dynamics. These tensions introduce additional layers of uncertainty and risk, and compounded with the effects of the Green Deal, they shape energy prices and exert consequential impacts on broader macroeconomic trends and developments.

In line with its strategic objectives, management of the Group remains committed to enhancing the Group resilience and maintaining investment grade rating and associated conservative leverage levels, with currently targeted proportionate net leverage at 3.5x<sup>4</sup>. Despite the aforementioned risks, in 2024, the EPIF Group will continue to deliver

<sup>1</sup> Information about EU gas imports is based on the data available at <https://www.bruegel.org/dataset/european-natural-gas-imports>.

<sup>2</sup> Information on gas demand taken from <https://www.bruegel.org/dataset/european-natural-gas-demand-tracker>.

<sup>3</sup> Information on storage levels taken from IEA Gas Market Report, Q1 2024, page 48, <https://iea.blob.core.windows.net/assets/601bff14-5d9b-4fef-8ecc-d7b2e8e7449a/GasMarketReportQ12024.pdf>.

<sup>4</sup> This leverage ratio does not represent similarly named measures as may be defined and included in any documentation for any financial liabilities of EPIF Group.

critical infrastructure services to its customers while advancing its operations across all segments. We remain dedicated to embracing our long-term decarbonization strategy and initiating major capital expenditures to transition our predominantly carbon intensive heating plants in the Czech Republic. This transformation will involve the conversion to a balanced mix of gas-fired units and biomass boilers, supplemented by waste incinerator plants, by 2030 in line with EPIF's coal phase out commitment. Adaptation of the gas midstream and downstream infrastructure for green gases shall ensure compatibility of all our assets with the future Net Zero energy system.

In the context of the ongoing military conflict in the territory of Ukraine and associated sanctions targeting the Russian Federation (piped gas flows to Europe are however excluded from sanctions), 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 financial statements or going concern assumption assessment result in 2024. However, further negative developments as regards this situation cannot be ruled out, which could subsequently have a material negative impact on the Company, its businesses, financial condition, results, cash flows and overall outlook.

#### OTHER INFORMATION ABOUT SUBSEQUENT EVENTS THAT OCCURRED AFTER THE REPORTING DATE

Except for the subsequent events described in the Note 32 of Consolidated Financial Statements as of and for the year ended 31 December 2023, management is not aware of any additional subsequent events that occurred after the reporting date.

## 2. Management and Governance

EPIF has a two-tier management structure consisting of its board of directors (the "Board of Directors") and its supervisory board (the "Supervisory Board"). The Board of Directors represents EPIF in all matters and is charged with its day-to-day business management (together with the Senior Management), while the Supervisory Board is responsible for the supervision of EPIF's activities and of the Board of Directors in its management and resolves on matters defined in the Czech Corporations Act and the Articles of Association. The Supervisory Board does not make management decisions.

The Audit Committee is established as a separate corporate body of the Company responsible for performance of controlling functions in the field of audit (both internal and external including statutory) and accounting.

The Risk Committee is responsible for overseeing risk management policies and practices of the Group's operations, implement a monitor compliance with the Group's risk management procedures and risk control infrastructure.

The Health & Safety Committee is responsible for developing and overseeing of health and safety policies and procedures improving work health and safety environment within the Group operations and monitoring compliance with Group's health and safety policies.

The Green Finance Committee is responsible for selecting and evaluating projects eligible for green financing under the EPIF's Green Finance Framework.

#### GENERAL MEETING

The shareholders have put in place a strong corporate governance regime that is implemented

both in the EPIF's articles of association and in the EPIF Shareholders' Agreement, which, among other things, sets forth certain reserved matters requiring a qualified majority decision.

The General Meeting is the supreme body of the Company. Each shareholder has a right to attend and vote during the General Meeting. The competencies of the General Meeting are sets forth in the Articles of Association of the company.

#### SENIOR MANAGEMENT

The senior management of the Group consists of CEO, the Finance Director, the Director of Financing and Treasury and four segment directors.

**Václav Paleček**  
*Finance Director*

Mr. Paleček has been the Finance Director since 1 June 2020.

He has been employed in the EPH group since 2014. Among other worth mentioning duties of Mr. Paleček comprise a membership in the Company's Risk committee and Green Finance Committee and SPP Infrastructure, a.s. audit committee. Mr. Paleček is also a member of the board of directors of EOP Distribuce, a.s., Stredoslovenská energetika, a. s. and POWERSUN a.s.; a managing director of VTE Pchery, s.r.o., MR TRUST s.r.o., ARISUN, s.r.o., Triskata, s.r.o., Stredoslovenská energetika – Project Development, s.r.o., SSE-Solar, s.r.o., SSE – MVE, s.r.o., SSE – Metrológia, s.r.o. and Alternative Energy, s.r.o.; a member of the supervisory board of EP Energy, a.s. and of Plzeňská teplárenská, a.s.

In his previous role, Mr. Paleček served as the Head of Group Controlling and Financial Reporting in



EP Power Europe, a.s., an energy utility focusing on power generation, lignite mining and renewables with operations across Western and Central Europe. In his role in then newly formed group, Mr. Paleček established and developed a central controlling function, which involved, among others, budgeting, planning, forecasting, controlling and reporting. Mr. Paleček also introduced a new group-wide reporting tool that streamlined and unified the reporting process across EP Power Europe, a.s.

Before joining EPH, Mr. Paleček spent five years at KPMG, where he held various positions focused on financial reporting under IFRS, US GAAP or Czech accounting standards. His portfolio of clients comprised namely energy, utility, telco and automotive segments.

Mr. Paleček holds a master's degree in economics from the University of Economics in Prague, is a fellow of Association of Chartered Certified Accountants (ACCA) and holds an Advanced Diploma in Accounting and Business.

Mr. Paleček has more than 14 years of experience in corporate finance through his positions in KPMG and EPH group. In particular, he led or participated on several projects in areas of M&A, corporate restructuring, refinancing including primarily bank debt and bonds, cooperation with rating agencies or ESG initiatives in EPIF.

#### **Tomáš Miřacký**

*Director of Financing and Treasury*

Mr. Miřacký has been the Director of Financing and Treasury since 1 March 2017.

Mr. Miřacký is also Deputy Chief Financial Officer of EPH and holds other positions outside of the Group. He has been employed in the EPH group since November 2012.

Mr. Miřacký is also a member of the board of directors of EP UK Finance Limited and serves on the Company's Risk committee and Green

Finance Committee. Prior to joining the EPH group, Mr. Miřacký worked for over eight years on different positions at The Royal Bank of Scotland (previously ABN AMRO Bank).

From 2004 until 2012, as part of ABN AMRO Bank and later as part of the Royal Bank of Scotland, Mr. Miřacký held different positions with focus on corporate finance in the Czech and Slovak Republic. In the following years, Mr. Miřacký focused on corporate financing in Germany and Austria. During this time, Mr. Miřacký gained detailed knowledge of different financing solutions including working capital and capital expenditures financing, leverage increasing transactions, acquisitions, bank guarantees and bonds and cooperated with different teams within the Czech Republic and Europe. Since 2012, as part of the Group, Mr. Miřacký worked on many of the Group's financing transactions. Mr. Miřacký subsequently participated in designing the financing strategies of the Group and EPH, including its subsidiaries. The scope of Mr. Miřacký practice covers bank debt, bonds, working capital lines, rating and all related activities, including managing the legal streams in cooperation with legal teams. Apart from financing, Mr. Miřacký actively participates in the Group's risk management and its ESG initiatives.

Mr. Miřacký holds a master's degree in law from Masaryk University in Brno and bachelor's degree in business administration from University of New York in Prague.

#### **Tomáš Mareček**

*Director of the Gas Transmission Business*

Mr. Mareček has been the Director of Gas Transmission Business since 24 January 2013. He also serves as chairman of the board of directors of eustream, a.s. since 2013.

Mr. Mareček is also a member of the board of directors of Košík Holding a.s.; managing director of MFresh Holding 1 s.r.o.; and a member of the supervisory board of Košík.cz s.r.o.

Mr. Mareček has more than 15 years of experience and in his previous roles he also served in the supervisory board of EP Industries, a.s. and held the positions of senior analyst of mergers and acquisitions at J&T and financial officer at Kablo Vrchlabí a.s.

Mr. Mareček holds a master's degree in finance from the University of Economics in Prague.

#### **David Onderek**

*Director of the Heat Infra Business*

Mr. Onderek has been the Director of the Heat Infra Business since 9 May 2016.

Mr. Onderek has also been the director of heat and cogeneration division and the head of investment committee of EP Energy since March 2013.

Mr. Onderek is also a chairman of the board of directors of United Energy a.s., Severočeská teplárenská, a.s., a member of the board of directors of Plzeňská teplárenská a.s., Elektrárny Opatovice a.s., EP Sourcing, a.s, EP Cargo a.s. and EP Resources CZ a.s.; a managing director of AISE, s.r.o. He also serves on the boards of several companies that are affiliated with EPIF.

Mr. Onderek has more than 20 years of experience and prior to joining the Group he worked as the head of portfolio development at ČEZ, a.s., a leading Czech energy company.

Mr. Onderek holds a M.Sc. degree in management of power generation and distribution from the Faculty of Electrical Engineering of the Czech Technical University in Prague and a master of business administration degree from the University of Pittsburgh.

#### **František Čupr**

*Director of Gas and Power Distribution Business*

Mr. Čupr is the Director of Gas and Power Distribution Business since 2 January 2013. He also serves as

chairman of the board of directors of Stredoslovenská distribučná, a.s. and SPP - distribúcia, a.s. since 2013. He also serves on the Company's Risk committee and leads the Company's health and safety committee.

Mr. Čupr is also a chairman of the board of directors of SPP Infrastructure, a. s. and ACS PROPERTIES, a.s., vice-chairman of AC Sparta Praha fotbal, a.s.; a member of the board of directors of EP Sport Holdings, a.s., 1890s holdings a.s., ; and manager responsible predominantly for renewable energy sources.

Mr. Čupr has more than 20 years of experience in the business.

Mr. Čupr holds a master's degree in economics from the Faculty of Business and Economics of the Mendel University in Brno and a master of business administration from the Nottingham Trent University.

#### **Martin Bartošovič**

*Director of Gas Storage Business*

Mr. Bartošovič is the Director of Gas Storage Business since 9 May 2016. Mr. Bartošovič has also been the chief executive officer since October 2012 as well as a member of the board of directors of POZAGAS a.s. since June 2013 and its chairman since July 2016. Mr. Bartošovič is also a managing director of SPP Storage, s.r.o. and CNG Holding Netherlands B.V. and a member of the board of directors of NAFTA Germany GmbH.

Prior to joining the Company, Mr. Bartošovič held the position of a member of the board of directors of SPP - distribúcia, a.s. and the position of division director of Slovenský plynárenský priemysel, a. s. Prior to that, he worked for six years at A.T. Kearney, a leading global management consulting firm and for two years at ING Bank, a leading international bank.

Mr. Bartošovič has more than 20 years of experience in the energy industry in addition to the background in management consulting and banking. Prior to joining the Group, he held various

positions at A.T. Kearney and ING Barings with focus on strategy, restructuring, post-merger-integration and mergers and acquisitions.

Mr. Bartošovič holds a Dipl. Ing. degree in corporate finance from the Faculty of Economics and Finance at the Slovak Agricultural University and took part in several study programs at the West Virginia University, University of Delaware and Cornell University.

## BOARD OF DIRECTORS

The Board of Directors has seven members, all of which are executive directors. Members of the Board of Directors are elected by the EPIF's general meeting of shareholders (the "General Meeting") for a term of office of three years. Re-election of the members of the Board of Directors is permitted. Members of the Board of Directors are obliged to discharge the office with the necessary loyalty as well as the necessary knowledge and care and to bear full responsibility for such tasks, as required by the Czech Corporations Act.

The Board of Directors is the EPIF's statutory body, which directs its operations and acts on its behalf. No-one is authorised to give the Board of Directors instructions regarding the business management of the EPIF, unless the Czech Corporations Act or other laws or regulations provide otherwise. The powers and responsibilities of the Board of Directors are set forth in detail in the Articles of Association. The Board of Directors meets regularly, usually once a month.

The members of the Board of Directors are engaged in the daily management of the Company and authorised to decide on the business management of the Company or its parts. Responsibilities for daily management of principle business activities of the Company are allocated to appropriate members of the Board of Directors based on their primary business focus and expertise. Each member of the Board of Directors is obliged to inform the Board of Directors how the Company's affairs are managed.

The responsibility for decisions about the basic focus of business management and basic focus of supervision over the Company's activities rests with all members of the Board of Directors and the separation of powers between members of the Board of Directors does not release the other members of the Board of Directors from the equal responsibility for all decisions of the Board of Directors, or obligation to supervise how the Company's affairs are managed.

The Board of Directors constitutes a quorum if at least six directors are present at the meeting. In accordance with the EPIF's articles of association, if a Board of Directors meeting fails to constitute a quorum, there shall be an adjourned meeting within one week after the original meeting (or on another date agreed by the Chairman and both Vice-Chairmen), where the same quorum requirement will apply. If this first adjourned meeting also fails to constitute a quorum, there shall be a second adjourned meeting on or after the next business day following the first adjourned meeting, where the presence of at least four directors will constitute a quorum. Decisions of the Board of Directors are made by simple majority vote of all the members of the Board of Directors. Each member of the Board of Directors has one vote. With the consent of all members, per rollam voting is also allowed.

## MEMBERS OF THE BOARD OF DIRECTORS

### Daniel Křetínský

*Chairman of the Board of Directors*

Mr. Křetínský has been the Chairman of the Board of Directors since December 2013.

Mr. Křetínský was involved through his role as a partner in the J&T Group in the founding of EPH, the EPIF's parent company, where he has served as Chairman of the Board of Directors since 2009 and currently is also the majority owner of EPH. Mr. Křetínský serves on the boards of several companies that are affiliated with EPIF, including its parent company EPH, and its sister company

EP Investment Advisors, s.r.o. He also holds positions at companies unaffiliated to EPIF, including Chairman of the Board of AC Sparta Praha fotbal, a.s.

Mr. Křetínský holds a bachelor's degree in political science as well as a master's degree and a doctorate in law from Masaryk University in Brno.

### Gary Wheatley Mazzotti

*Vice-chairman of the Board of Directors and Chief Executive Officer*

Mr. Mazzotti has been a member and Vice-Chairman of the Board of Directors since June 2017, and the Chief Executive Officer since August 2021. He also serves on the Company's Risk committee, Green Finance Committee and Health & Safety Committee.

Mr. Mazzotti is also a member of the board of directors of United Energy, a.s., EOP Distribuce, a.s., Severočeská teplárenská, a.s., EP Power Europe, a.s. and EP Cargo a.s. and a member of the supervisory board of NAFTA a.s., SPP - distribúcia, a.s., Stredoslovenská distribučná, a.s., Stredoslovenská energetika Holding, a.s. and Plzeňská teplárenská, a.s.

Mr. Mazzotti has more than 30 years of experience in finance and operations, having joined the Company from Vienna Insurance Group where he was a member of the board and chief financial officer of Kooperativa pojišťovna, a.s., Vienna Insurance Group and Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group and was responsible for VIG groups operations in Ukraine. Prior to this Mr. Mazzotti held the positions of senior investment director and chief financial officer of PPF Private Equity Division as well as chief financial officer and chief operating officer of AAA Auto a.s.

Mr. Mazzotti graduated in economics from the University of Reading in the United Kingdom, and is also a member of the Institute of Chartered Accountants (ACA).

### Stéphane Brimont

*Vice-chairman of the Board of Directors*

Stéphane Brimont is a representative of CEI Investments S.à r.l., a consortium managed by Macquarie Asset Management (MAM), which owns a 31% stake in EPIF.

Mr. Brimont has been a member of the Board of Directors since February 2017 with a short break in 2020 and 2021, he was reappointed in November 2021 as a Vice-chairman. Mr. Brimont is the head of MAM's French and Benelux operations and is also vice-chairman at Autostrade per l'Italia and a director of MEIF Power Romania, Hedno and APEX Energies. He began his career with the French government where he spent a total of eight years. In 2004, he joined Gaz de France as chief strategy officer and became their chief financial officer in 2007. Following the integration of Gaz de France and Suez, Mr. Brimont moved into a general management role.

Mr. Brimont graduated from École Polytechnique and the École Nationale des Ponts et Chaussées, France.

### Pavel Horský

*Member of the Board of Directors*

Mr. Horský has been a member of the Board of Directors since December 2013.

Mr. Horský is a member of the board of directors of EPH and chief financial officer of EPH and holds a number of other positions within the Group as well as outside the Group. At the same time, Mr. Horský serves as a member of the Company's Risk committee. Prior to joining the Company, Mr. Horský held a market risk advisory position at the Royal Bank of Scotland.

Mr. Horský serves on boards of directors and supervisory boards of several of EPH's subsidiaries and affiliates, including EP Infrastructure a.s. and EP Power Europe a.s.

Marek Spurný

Member of the Board of Directors

Mr. Spurný has been a member of the Board of Directors since December 2013. Currently, Mr. Spurný is the chief legal counsel and a member of the board of directors of EPH and serves on multiple boards of companies within the Group, as well as outside the Group.

Prior to joining EPIF, Mr. Spurný held various positions within EPH, its subsidiaries and the J&T Group (prior to the formation of EPH). Between 1999 and 2004, Mr. Spurný worked for the Czech Securities Commission (the capital markets supervisory body at that time).

His background is legal. As such, he holds the position of Chief Legal Counsel of the Group, with main responsibilities for transaction execution, negotiations and implementation of merger and acquisition transactions, restructurings, and legal support in general. Mr. Spurný holds several positions in the corporate bodies of the group companies on the parent holding levels (member of the boards of directors of EPH), as well as the subsidiaries of EPH group, including subsidiaries in EPIF. Before joining the group, Mr. Spurný had been working for five years for the Czech Securities Commission, the former capital markets regulatory authority in the Czech Republic.

Mr. Spurný holds a law degree from Palacky University in Olomouc.

William Price

Member of the Board of Directors

William Price is a representative of CEI Investments S.à r.l., a consortium managed by Macquarie Asset Management (MAM), which owns a 31% stake in EPIF.

Mr. Price has been a member of the Board of Directors since October 2020. Before October 2020, he was a member of the Supervisory Board since February 2017 and its Vice Chairman since June 2017. Mr. Price is also a member of the board of directors of EP Energy, a.s.

Outside the Group, Mr. Price is also a member of the board of directors of Czech Grid Holding, a.s. Mr. Price has over 15 years of experience in infrastructure investment and management, primarily in the utilities and energy sector. This experience is primarily across the UK, Germany and Central Europe.

He also holds non-executive board positions at various other MAM-managed investments.

Mr. Price holds a bachelor’s degree in economics and politics from the University of Bristol and a master of finance degree from INSEAD Business School.

Milan Jalový

Member of the Board of Directors

Mr. Jalový has been a member of the Board of Directors since February 2017.

Mr. Jalový holds the position of controlling director at EP Power Europe, a.s., and is the head of analytical team at EPH. He has been working within the EPH group since its establishment.

Mr. Jalový is also a managing director of Lausitz Energie Verwaltungs GmbH and EP Mehrum GmbH, a member of the supervisory board of EP Energy a.s., Heureka Group a.s., Lausitz Energie Bergbau AG and Lausitz Energie Kraftwerke AG.

Mr. Jalový holds a master’s degree from the University of Economics in Prague and also the CEMS MIM degree.

SUPERVISORY BOARD

The Supervisory Board has six members elected by the General Meeting. Members of the Supervisory Board are elected for a three year term and may be re-elected.

The Supervisory Board is responsible for the supervision of activities of EPIF and of the Board

of Directors in its management of EPIF and resolves on matters defined in the Czech Corporations Act and the Articles of Association. The Supervisory Board’s powers include the power to inquire into all documents concerned with the activities of the EPIF, including inquiries into the EPIF’s financial matters, review of the financial statements and profit allocation proposals.

No-one is authorised to give the Supervisory Board instructions regarding their review of the Board of Directors in its management of EPIF. The Supervisory Board shall adhere to the principles and instructions as approved by the General Meeting of shareholders, provided these are in compliance with legal regulation and the Articles of Association.

The Supervisory Board constitutes a quorum if at least five members are present at the meeting. In accordance with the EPIF’s articles of association, if a Supervisory Board meeting fails to constitute a quorum, there shall be an adjourned meeting within one week after the original meeting (or on another date agreed by the Chairman and the Vice-Chairman), where the same quorum requirement will apply. If this first adjourned meeting also fails to constitute a quorum, there shall be a second adjourned meeting on or after the next business day following the first adjourned meeting, where the presence of at least four Supervisory Board members will constitute a quorum. Decisions of the Supervisory Board are made by simple majority vote of all Supervisory Board members. Each Supervisory Board member has one vote. With the consent of all members, per rollam voting is also allowed.

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2023 WERE:

Jan Špringl (chairman)

Martin Gebauer (vice-chairman)

Petr Sekanina (member)

Jiří Feist (member)

Jan Strítěský (member)

Rosa Maria Villalobos Rodriguez (member)

AUDIT COMMITTEE

The Audit Committee’s authority and responsibilities are determined by the Czech Act No. 93/2009 Coll., on Auditors, as amended (the “**Czech Auditors Act**”) and the Articles of Association as well as the Terms of Reference approved by the General Meeting. The Audit Committee mainly oversees the financial reporting and risk management of the Company and reviews internal financial controls (including internal audit) and the process of statutory audit of the Company. The Audit Committee makes recommendations in respect of selection of external auditor and its remuneration, as well as in respect of policy for awarding non audit services to external auditor.

The Audit Committee has three members. Meetings of the Audit Committee are held not less than two times in each financial year. With the consent of all members, *per rollam* voting is also allowed. The Audit Committee informs the Board of Directors and Supervisory Board about its activities and, with respect to areas within its remit, submits recommendations to the Supervisory Board as it deems appropriate. The Audit Committee adopts a decision by a majority vote of all its members. The quorum for a meeting of the Audit Committee is a simple majority of all its members.

MEMBERS OF THE AUDIT COMMITTEE AS AT 31 DECEMBER 2023 WERE:

Václav Moll (chairman)

Gary Wheatley Mazzotti (member)

Jakub Šteinfeld (member)

RISK COMMITTEE

EPIF approaches the risk management with due diligence. Market, credit, operational and business risks are continuously identified and evaluated in terms of the probability of occurrence and extent of possible damage and reported to the internal Risk Management Committee. The Risk Committee is an advisory body to the Board of Directors and submits regular reports to the Board of Directors. Existing risks are continuously monitored and updated. The committee's scope includes, in particular, discussing the Group's identified risks and approving their management strategy. The Committee also regularly evaluates the overall risk situation of the Group. The aim of the risk management system is to protect the value of the Group while taking on an acceptable level of risk.

MEMBERS OF THE RISK COMMITTEE  
AS AT 31 DECEMBER 2023 WERE:

Michal Buřil (chairman)

Gary Wheatley Mazzotti (member)

Pavel Horský (member)

Tomáš Miřacký (member)

Václav Paleček (member)

František Čupr (member)

Szilard Kasa (member)

HSE COMMITTEE

The Health & Safety Committee is responsible for developing and overseeing of health and safety policies and procedures improving work health and safety environment within the Group operations and monitoring compliance with Group's health and safety policies. The Health & Safety Committee has seven members. The Health & Safety Committee submits regular reports to the Board of Directors.

MEMBERS OF THE HSE COMMITTEE  
AS AT 31 DECEMBER 2023 WERE:

František Čupr (chairman)

František Kajánek (member)

Marek Bobák (member)

Tereza Vlachová (member)

William Price (member)

Stéphane Brimont (member)

Gary Wheatley Mazzotti (member)

GREEN FINANCE COMMITTEE

The Green Finance Committee was established in 2023 to select and evaluate projects eligible for green financing under the EPIF's Green Finance Framework established in July 2023. The committee convened in December 2023 and its members as of 31 December 2023 were:

Gary Wheatley Mazzotti (chairman)

Tomáš Miřacký (member)

Václav Paleček (member)

3. ESG and sustainability

Throughout 2023, EPIF continued to focus on its performance in the environmental, social and governance ("ESG") matters, acknowledging its responsibility for the environment, employees, communities, and all other stakeholders. In October 2023, EPIF received an ESG Risk Rating of 19.8 from Morningstar Sustainalytics, a leading provider of environmental, social and governance research, ratings and data assessing companies' resilience to environmental, social and governance risks. While this result represents a slight deterioration in the score from 18.2 received last year (the lower score, the better), EPIF retained its position in the low-risk category and secured 12th place out of 104 companies in the multi-utilities sector. EPIF has also been subject to ESG evaluation from S&P Global Ratings with the latest score of 63/100 received in November 2022. The ESG evaluation product of S&P Global Ratings has been discontinued, and this rating will no longer be updated.

As a major energy group, EPIF is aware of its role in the ongoing transformation of the energy system in Europe with the objective of mitigating climate change impacts. EPIF 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. In June 2023, the previously established goal of achieving carbon neutrality by 2040 was complemented by a Net Zero target by 2050. These long-term goals are supported by a transition plan for each asset, guiding the Group away from coal usage by 2030, with no unabated fossil fuel combustion by 2040 and fully decarbonized operations by 2050. Our decarbonization and energy transition plans and ongoing efforts are described below in the section *Information on decarbonization activities and environmental protection*.

EPIF remains committed to contributing to energy security in its region of operation by providing reliable supplies of key commodities to end consumers. Safeguarding stable supplies of natural gas plays a vital role in the energy transition in Europe as gas-fired power plants shall play a key role to complement the ramp-up of intermittent renewable generation sources. To prevent any emissions lock-in effects from prolonged usage of gas, EPIF aims to ensure readiness across its entire infrastructure for renewable gases such as hydrogen.

In June 2023, EPIF issued its fifth Sustainability report covering the year 2022. A sustainability report for the year 2023 is planned to be issued in the second quarter of 2024. The report covers a wide spectrum of economic, environmental, social and governance related topics and enables report users to obtain a comprehensive understanding of the EPIF Group's business and the links between EPIF's strategy and commitment to sustainability.

EPIF 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 EPIF sustainability report for the year 2023.



## 4. Information on decarbonization activities and environmental protection

In 2023, the EPIF Group continued to be active in respect of the environmental protection and decarbonization of its operations. The companies within the EPIF Group are operated in a manner to ensure their failure-free operation and high efficiency in producing electricity and heat, which has direct impact on carbon footprint.

EPIF Group activities are regulated by several environmental regulations in the Czech Republic, Slovakia, and Germany. These include regulations governing the discharge of pollutants, the handling of hazardous substances and their disposal, cleaning of contaminated sites and health and safety of employees. EPIF Group is subject to regulations imposing strict limits on emissions of sulphur oxides, nitrogen oxides, carbon monoxide and solid dust particles emissions.

### HEAT INFRASTRUCTURE DECARBONIZATION

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

transformation of district heating systems, including change in the fuel base. For several projects, subsidy applications have been already approved.

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

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

At Plzeňská teplárenská, share of biomass in the fuel mix increased after a boiler co-combusting lignite with biomass was refurbished in 2021, raising the share of biomass in the boiler to 80% with potential to increase to 100% in the future. This complemented a dedicated biomass unit and waste incinerator plant. The remaining lignite units operated by PLTEP are expected to be replaced with hydrogen-capable gas-fired units.

### GAS INFRASTRUCTURE – ENERGY TRANSITION PLANS

Owing to its critical gas midstream and downstream infrastructure, the Group is uniquely positioned to be a front-runner in the accommodation of hydrogen

across its entire gas value chain with several projects launched to assess readiness for large-scale transmission, storage, and distribution of hydrogen.

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

As eustream, a.s. and other gas transmission operators in Europe take actions to accommodate hydrogen in their pipelines, it is essential for downstream network operators to assess and adapt their infrastructure as well. SPP – distribúcia, a.s. (“SPPD”) successfully completed a pilot project in 2022 where it blended 10% of hydrogen into the gas distribution network in a small village in Slovakia and tested interaction of the networks as well as appliances at households and commercial customers

(boilers, cookers). The network of SPPD is relatively modern and a high share of polyethylene pipes (57% of local networks) with superior permeability characteristics makes the network ideally positioned to accommodate pure hydrogen in the future.

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

### ENVIRONMENTAL PROTECTION ACROSS EPIF GROUP

At EPIF Group, environmental and climate protection is one of the highest priorities. Nafta takes a responsible approach toward shutting down centres and wells through clean-ups, technical or biological reclamation of the land and either reincorporating it into the surrounding wilderness or returning it to agricultural use. Nafta has already focused on its methane leakage and already belongs to a number of international

working groups aimed at reducing methane emissions. NAFTA set specific emission reduction targets and adopted a robust Leak Detection and Repair (LDAR) programme to reduce methane leakage.

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

Due to its lengthy network and significant potential for fugitive methane emissions, SPPD has concentrated its efforts on adopting robust techniques to identify and reduce the methane leakages. SPPD has increased frequency of controls of the older steel pipelines, while it continues a gradual replacement of steel pipes with non-permeable pipes made from polyethylene. In 2022, SPPD connected the first biomethane station to the network which, after further expansion in 2023, injects ca 180 MWh of biomethane every day. The composition of biomethane is almost identical to natural gas, but unlike fossil methane, biomethane is produced from local renewable materials such as poultry or livestock manure and various biodegradable waste. In the short term, SPPD will be able to connect approximately 34 biogas stations to its high-pressure network after their conversion to

biomethane production. However, the total potential for biomethane production from biodegradable municipal waste, kitchen and restaurant waste and livestock manure, according to the latest Integrated National Energy and Climate Plan of the Slovak Republic, can reach up to 400 million m3 of biomethane.

EPIF heating plants in the Czech Republic complied with the conditions set in integrated permits of individual company premises throughout the year. All production facilities operate in a highly efficient combined cogeneration mode, whereby the otherwise wasted by-product of power generation, heat, is funneled into a heating distribution network, thus capturing otherwise wasted energy, and delivered in the form of heat to our customers. This generation mode has much lower CO<sub>2</sub> emission intensity than a separate production of electric energy and heat.

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

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

Our services are not limited to the supply of and distribution of basic energy commodities, but we also aim to educate our customers on energy savings and responsible behavior with respect to energy. These efforts are mainly visible at Stredoslovenská energetika, a.s., which offers services aimed at energy savings, such as LED lighting, highly efficient heating, heat pumps or solar panel installations. This is accompanied

by an educational project for children in kindergartens and elementary schools, teaching them energy-saving practices through brochures, educational videos, and games. At Elektrárny Opatovice, a.s. and Plzeňská teplárenská, a.s., customers are regularly informed about optimal temperature and efficiency.

In 2020, Plzeňská teplárenská, a.s. launched a project focused on monitoring of energy consumption in selected kindergartens in the city of Pilsen with the goal to optimize their energy consumption and associated bills, the project continued in 2023 and is expected to spread to other public buildings.

## 5. Social and Governance matters

### EMPLOYMENT, SOCIAL RELATIONS, AND RESPECT FOR HUMAN RIGHTS

The main strengths of the EPIF Group include good relationships with employees and their loyalty. The Group maintains good and fair relations with the trade unions within the Group companies 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 EPIF Group. Safety and quality management covers health protection at work, safety management systems, technology, and human resources all of which are an integral part of the management of the EPIF Group.

EPIF Group upholds all principles of the United Nations Global Compact in respect of labour:

- The freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour;
- The effective abolition of child labour; and
- The elimination of discrimination in respect of employment and occupation.

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

### ANTI-BRIBERY AND ANTI-CORRUPTION PROCEDURES

The EPIF Group has an anti-bribery and anti-corruption policy in place in order to ensure compliance with all applicable anti-bribery regulations, and to ensure the Group's business is conducted in a socially responsible manner. This policy applies to all employees and all the countries and territories that the EPIF Group operates in. EPIF also requires its business partners to abide by these high standards as well when engaged in business with the EPIF Group. To complement and reinforce these efforts, the EPIF Group also has a policy in place on reporting of serious concerns which provides employees with the means to report suspected or actual compliance violations without fear of retaliation. In 2023, following the

new whistleblowing legislation, EPIF established a protected communication channel for all persons who perform activities for the EPIF Group to report illegal, unethical, or otherwise harmful conduct that a person has encountered or learned about in the course of their employment or other forms of cooperation with the EPIF Group.

#### INTERNAL CONTROL SYSTEM

The Group has taken reasonable steps to establish and maintain adequate procedures, systems, and controls to enable it to comply with its legal, regulatory, and contractual obligations, including with regard to financial reporting, which it periodically evaluates.

The Group does not have integrated information systems and each subsidiary has its own accounting platform and accounting methodologies. The subsidiaries prepare separate financial statements under the applicable local accounting standards for statutory purposes and part of the IFRS financial statements consolidation process is manual. In 2023, the Group largely completed implementation of a Group-wide reporting system aimed at limiting the amount of required manual intervention.

Each subsidiary has its own system of internal control 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.

#### ESG POLICIES

In March 2020, an initial set of ESG policies was approved by the Board of Directors and gradually implemented across the Group entities. These policies reflect our consciousness of immense responsibility for ESG issues. 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:

- EPIF Group ESG Master Policy
- EPIF Group Environmental Policy
- EPIF Group Procurement Policy
- EPIF Group Operational Policy
- EPIF Group Code of Conduct

In 2021, these policies were complemented by:

- EPIF Group Cybersecurity Principles
- KYC Directive
- EPIF Group Tax Governance Policy
- EPIF Anti-Corruption and Anti-Bribery Policy
- EPIF Anti Money Laundering Policy
- EPIF Sanctions Policy
- EPIF Anti-Trust Law Policy
- EPIF Whistleblower Policy
- EPIF Asset Integrity Policy
- EPIF Diversity Policy
- EPIF Biodiversity Policy

EPIF policies are regularly reviewed to ensure alignment with the changes in legislation and other developments. As an example, the EPIF Whistleblower Policy was complemented by an externally managed whistleblowing channel in 2023 in response to the new whistleblowing legislation.

#### GENERAL DIVERSITY POLICY

The Equality, Diversity and Inclusion Policy was approved by the EPIF Board of Directors in March 2021 and is publicly available on the EPIF website. The main purpose of the policy is to provide equality, fairness and respect for all employees and avoid any forms of discrimination on the basis of employee's age, sex, disability, race, nationality, ethnicity, religion, personal beliefs or sexual orientation. The Policy embodies EPIF's commitment to encourage equality, diversity and inclusion among our workforce regardless of individual differences or background. The Policy applies to all employees, directors, and members of statutory bodies and also all persons working on a contract basis. The EPIF Group subsidiaries have been asked to implement the Policy principles in their local policies within a designated time frame. EPIF recognizes that there is strength in the diversity of its Employees and harnessing these can assist it to improve the workplace, as well as enhancing its overall performance and decision-making.

EPIF does not apply a designated diversity policy applicable to appointment of members of the Company's senior management, and management is appointed based on their professional merit however the principles of general diversity policy are respected.

#### CODE OF CONDUCT

The Code of Conduct of the EPIF Group was approved by the EPIF Board of Directors in March 2020 and is publicly available on the EPIF website. It defines standards of behavior, managed as a practical value for day-to-day business and making all employees personally responsible for the performance and reputation of the Group, ensuring a good relationship with all stakeholders. Besides commitment to comply with all binding legal regulations, EPIF shall adhere to conducting its business activities in a responsible and fair manner and communicate transparently with its customers, business partners, suppliers, and communities. Following approval at EPIF level, the Code was subsequently implemented across EPIF Group subsidiaries which fully reflected its principles in their local internal documents. In 2023, there were no reported breaches of the Code of Conduct.

## 6. Other Information

### BRANCHES

The EPIF Group has the following organizational units abroad:

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

### RESEARCH AND DEVELOPMENT ACTIVITIES

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

### ACQUISITION OF OWN SHARES OR OWN OWNERSHIP INTERESTS

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

### RISK MANAGEMENT POLICIES

The EPIF Group's risk management policies are set out in the notes to the consolidated financial statements.

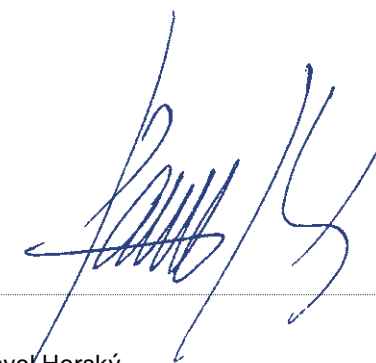
## 7. Statutory Declaration by Person Responsible for the EPIF Group 2023 Annual Report

With the use of all reasonable care, to the best of our knowledge the consolidated Annual Report provides in all material respects a true and accurate view and is not misleading in any material respects view of the financial situation, business activities, and results of operations of EPIF and its consolidated group for the year 2023 and of the outlook for the future development of the financial situation, business activities, and results of operations of EPIF and its consolidated group, and no facts have been omitted that could change the meaning of this report.

In Prague, on 19 March 2024



Daniel Křetínský  
Chairman of the Board of Directors



Pavel Horský  
Member of the Board of Directors





## Report on relations

Introduction by the Chairman of the Board of Directors

Independent Auditor's Report to the Annual Financial Report

Other Information

**Report on relations**

Consolidated Financial Statements and Notes to the Consolidated Financial Statements

Independent Auditor's Report to the Statutory Financial Statements

Statutory Financial Statements and Notes to the Statutory Financial Statements

» **EPIF has established clear decarbonization commitments, aiming for carbon neutrality by 2040, and achieving net-zero emissions by 2050.**

# 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 Infrastructure, a.s.**, (“the Company”) with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1, ID No: 024 13 507, in accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended

(“the Report”)

## I. PREAMBLE

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

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

The Report has been prepared for the 2023 accounting period.

## II. STRUCTURE OF RELATIONS BETWEEN THE ENTITIES

### CONTROLLED ENTITY

The controlled entity is EP Infrastructure, a.s. with its registered office at Pařížská 130/26, Josefov, 110 00, Praha 1, corporate ID: 024 13 507 recorded in the Commercial Register maintained by the Municipal Court in Prague, File B, Insert 21608.

### DIRECTLY CONTROLLING ENTITIES

EPIF Investments, a.s.  
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic  
Corporate ID: 057 11 452

### INDIRECTLY CONTROLLING ENTITIES

Energetický a průmyslový holding, a.s.  
Registered office: Pařížská 130/26, Josefov, 110 00 Praha 1, Czech Republic  
Corporate ID: 283 56 250

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

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

### OTHER CONTROLLED ENTITIES

The structure of relations between the controlling entity EP Investment S.à r.l. and groups of controlled entities controlled by this controlling entity is specified in Appendix 1 to the Report. The appendix, therefore, does not include the complete ownership structure of EP Investment S.à r.l., nor does it include 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/provided in order to improve the entire group’s performance
- managing, acquiring and treating 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 Infrastructure, a.s. over which they exercise a controlling influence.

## IV. OVERVIEW OF ACTS MADE IN 2023 PURSUANT TO SECTION 82 (2) (D) OF ACT NO. 90/2012 COLL., THE BUSINESS CORPORATIONS ACT

In 2023, no actions were taken at the initiative or in the interest of the controlling entity in respect of assets exceeding 10% of the controlled entity’s equity as determined from the most recent financial statements.

## V. OVERVIEW OF AGREEMENTS CONCLUDED BY EP INFRASTRUCTURE, A.S. PURSUANT TO SECTION 82 (2) (D) OF ACT NO. 90/2012 COLL., THE BUSINESS CORPORATIONS ACT

### IN 2023, THE FOLLOWING LOAN AGREEMENTS CONCLUDED BY COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP WERE EFFECTIVE:

On 16 March 2016, a loan agreement, including effective amendments, was signed between EP Infrastructure, a.s. as the creditor and Slovak Gas Holding B.V. as the debtor.

On 19 June 2017, a loan agreement, including effective amendments, was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

On 18 October 2019, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EP Energy, a.s. as the debtor.

On 27 January 2020, a loan agreement, including effective amendments, was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

On 8 September 2022, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

On 30 June 2023, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and Elektrárny Opatovice, a.s. as the debtor.

On 30 June 2023, a loan agreement was signed between EP Infrastructure, a.s. as the creditor and EPH Gas Holding B.V. as the debtor.

**IN 2023, THE FOLLOWING NETTING AGREEMENTS AND AGREEMENTS ON ADDITIONAL EQUITY CONTRIBUTIONS CONCLUDED BY COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP WERE EFFECTIVE**

On 30 June 2023, a debt assumption agreement was signed between Slovak Gas Holding B.V. as the original debtor, Seattle Holding B.V. as the new debtor and EP Infrastructure, a.s. as the creditor.

On 30 June 2023, a debt assumption agreement was signed between Seattle Holding B.V. as the original debtor, EPH Gas Holding B.V. as the new debtor and EP Infrastructure, a.s. as the creditor.

On 5 September 2023, an agreement on an additional equity contribution was signed between EP Infrastructure, a.s. and EPIF BidCo I s.r.o.

On 18 December 2023, an agreement on an additional equity contribution and the netting of an existing debt (capitalisation) was signed between EP Infrastructure, a.s. and EPH Gas Holding B.V.

**IN 2023, THE FOLLOWING OPERATING CONTRACTS CONCLUDED BY COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP WERE EFFECTIVE:**

Professional Services Agreement signed between AISE, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between AISE, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between Alternative Energy, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between Alternative Energy, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between ARISUN, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between ARISUN, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between Dobrá Energie s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between Elektrárny Opatovice, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between Elektrárny Opatovice, a.s. as the controller and EP Infrastructure, a.s. as the processor on 1 October 2018.

Data Processing Agreement signed between Elektrárny Opatovice, a.s. as the processor and EP Infrastructure, a.s. as the controller on 6 September 2022.

Professional Services Agreement signed between EOP Distribuce, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between EP Cargo a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between EP Cargo a.s. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between EP Energy, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between EP Energy, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between EP ENERGY TRADING, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between EP ENERGY TRADING, a.s. as the controller and EP Infrastructure, a.s. as the processor on 1 October 2018.

Professional Services Agreement signed between EP Sourcing, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between EP Sourcing, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between NAFTA Speicher GmbH & Co. KG and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between Plzeňská teplárenská a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between Plzeňská teplárenská a.s. as the controller and EP Infrastructure, a.s. as the processor on 14 September 2022.

Data Processing Agreement signed between Plzeňská teplárenská a.s. as the processor and EP Infrastructure, a.s. as the controller on 6 September 2022.

Professional Services Agreement signed between POWERSUN a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between POWERSUN a.s. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between POZAGAS a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between POZAGAS a.s. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between Severočeská teplárenská, a.s. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between Severočeská teplárenská, a.s. as the administrator and EP Infrastructure, a.s. as the operator on 1 October 2018.

Professional Services Agreement signed between SPP Storage, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between SPP Storage, s.r.o. and EP Infrastructure, a.s. on 9 June 2022.

Confidentiality Agreement signed between Stredoslovenská energetika Holding, a.s. and EP Infrastructure, a.s. on 2 November 2021.

Professional Services Agreement signed between Triskata, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between Triskata, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Professional Services Agreement signed between United Energy, a.s. and EP Infrastructure, a.s. on 12 April 2022.



Data Processing Agreement signed between United Energy, a.s. as the administrator and EP Infrastructure, a.s. as the operator on 1 October 2018.

Data Processing Agreement signed between United Energy, a.s. as the operator and EP Infrastructure, a.s. as the administrator on 6 September 2022.

Professional Services Agreement signed between VTE Pchery, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Data Processing Agreement signed between VTE Pchery, s.r.o. and EP Infrastructure, a.s. on 12 April 2022.

Cooperation Agreement signed between EOP Distribuce, a.s., United Energy, a.s., Plzeňská teplárenská, a.s. and EP Infrastructure, a.s. on 14 December 2022.

**IN 2023, THE FOLLOWING OTHER CONTRACTS CONCLUDED BY COMPANIES IN THE EP INFRASTRUCTURE, A.S. GROUP WERE EFFECTIVE**

On 1 March 2022, a Master Agreement on the Provision of Guarantees was signed between EP ENERGY TRADING, a.s. and EP Infrastructure, a.s.

On 1 October 2022, a Master Agreement on the Provision of Guarantees was signed between EP Energy, a.s. and EP Infrastructure, a.s.

On 7 December 2022, an Agreement on the Distribution of Cash-Pool Benefits under a Real Mutual Cash-Pooling Arrangement for an Economically Related Group was signed between EP Infrastructure, a.s., EP Energy, a.s., United Energy, a.s., EP ENERGY TRADING, a.s., Elektrárny Opatovice, a.s., EP Sourcing, a.s., EP Cargo a.s. and AISE, s.r.o.

**IN 2023, THE FOLLOWING OPERATING CONTRACTS CONCLUDED BY COMPANIES IN THE ENERGETICKÝ A PRŮMYSLVÝ HOLDING, A.S. GROUP WERE EFFECTIVE:**

Professional Services Agreement signed between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 28 February 2022.

Data Processing Agreement signed between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 28 February 2022.

Sublease Agreement signed between EP Investment Advisors, s.r.o. and EP Infrastructure, a.s. on 15 June 2017, including all amendments.

Professional Services Agreement signed between EP Slovakia B.V. and EP Infrastructure, a.s. on 3 April 2017.

Professional Services Agreement signed between Energetický a průmyslový holding, a.s. as the provider and EP Infrastructure, a.s. as the client on 12 April 2022.

Professional Services Agreement signed between Energetický a průmyslový holding, a.s. as the client and EP Infrastructure, a.s. as the provider on 12 April 2022.

Data Processing Agreement signed between Energetický a průmyslový holding, a.s. and EP Infrastructure, a.s. on 12 April 2022.

**IN 2023, THE FOLLOWING OPERATING CONTRACTS CONCLUDED BY COMPANIES IN THE EP POWER EUROPE, A.S. GROUP WERE EFFECTIVE:**

Professional Services Agreement signed between EP Power Europe, a.s. as the provider and EP Infrastructure, a.s. as the client on 12 April 2022.

Professional Services Agreement signed between EP Power Europe, a.s. as the client and EP Infrastructure, a.s. as the provider on 12 April 2022.

Data Processing Agreement signed between EP Power Europe, a.s. and EP Infrastructure, a.s. on 12 April 2022.

**VI.**

We hereby confirm that this Report on relations between related entities of EP Infrastructure, a.s., prepared pursuant to the provisions of Section 82 of Act No. 90/2012 Coll., the Business Corporations Act, for the accounting period from 1 January 2023 to 31 December 2023, includes all information known as at the date of signing this report, regarding:

- agreements between related entities
- other juridical acts carried out in the interest of related entities and
- all measures taken or implemented in the interest or at the initiative of related entities

Information on consideration received or provided to related parties is disclosed in the notes to the financial statements which, together with this Report on relations, form part of the Annual financial report. All transactions between EP Infrastructure, a.s. and the controlling entity or entities controlled by the same entity were concluded at arm's length. The Board of Directors of EP Infrastructure, a.s. further declares that EP Infrastructure, a.s. incurred no damage as a result of the actions of the controlling entity or any entity controlled by the same entity. The contractual and other relations with related entities resulted in no loss or financial advantage or disadvantage to EP Infrastructure, a.s.

In Prague, on 19 March 2024

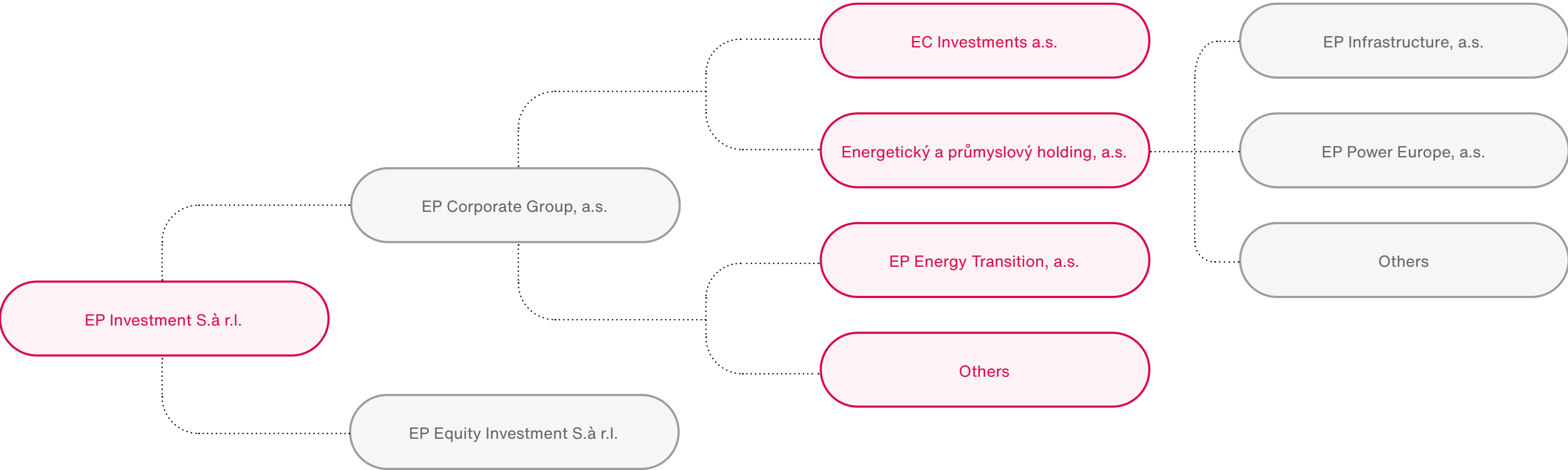


Daniel Křetínský  
Chairman of the Board of Directors



Pavel Horský  
Member of the Board of Directors

Appendix 1





# 1,016 mil

» **EPIF Group achieved strong results in 2023, with our Adjusted Free Cash Flow improving by 38% reaching EUR 1,016 million.**

## Consolidated Financial Statements and Notes to the Consolidated Financial Statements

Introduction by the Chairman of the Board of Directors

Independent Auditor's Report to the Annual Financial Report

Other Information

Report on relations

**Consolidated Financial Statements and Notes to the Consolidated Financial Statements**

Independent Auditor's Report to the Statutory Financial Statements

Statutory Financial Statements and Notes to the Statutory Financial Statements



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Consolidated Financial Statements

as of and for the year ended 31 December 2023

# Consolidated statement of comprehensive income

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

	Note	2023	2022
Revenues	7	4,268	4,004
Purchases and consumables	8	(2,371)	(1,978)
Subtotal		1,897	2,026
Services	9	(231)	(197)
Personnel expenses	10	(270)	(243)
Depreciation, amortisation and impairment	15, 16	(459)	(492)
Emission rights, net	11	(175)	(192)
Own work, capitalized		31	29
Other operating income (expenses), net	12	(35)	14
Profit from operations		758	945
Finance income	13	74	101
Impairment losses on financial instruments and other financial assets	13	(6)	4
Finance expense	13	(103)	(96)
Net finance income (expense)		(35)	9
Profit before income tax		723	954
Income tax expenses	14	(188)	(253)
Profit for the year		535	701

## Consolidated statement of comprehensive income

	Note	2023	2022
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment, net of tax	15	478	–
Fair value reserve included in other comprehensive income, net of tax	14	–	5
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	14	(24)	19
Effective portion of changes in fair value of cash-flow hedges, net of tax	14	429	104
Other comprehensive income for the year, net of tax		883	128
Total comprehensive income for the year		1,418	829
Profit attributable to:			
Owners of the Company		304	416
Non-controlling interest	22	231	285
Profit for the year		535	701
Total comprehensive income attributable to:			
Owners of the Company		820	462
Non-controlling interest		598	367
Total comprehensive income for the year		1,418	829

# Consolidated statement of financial position

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

	Note	31 December 2023	31 December 2022
<b>Assets</b>			
Property, plant and equipment	15	9,924	9,562
Intangible assets and goodwill	16	355	330
Equity accounted investees		1	1
Restricted cash		1	1
Financial instruments and other financial assets	26	26	69
Trade receivables and other assets	19	5	48
Deferred tax assets	17	26	48
<b>Total non-current assets</b>		<b>10,338</b>	<b>10,059</b>
Inventories	18	311	323
Trade receivables and other assets	19	395	749
Contract assets		75	101
Financial instruments and other financial assets	26	67	158
Prepayments and other deferrals		12	12
Current income tax receivable		17	16
Cash and cash equivalents	20	1,695	1,548
Restricted cash		1	1
<b>Total current assets</b>		<b>2,573</b>	<b>2,908</b>
<b>Total assets</b>		<b>12,911</b>	<b>12,967</b>
<b>Equity</b>			
Share capital	21	3,248	3,248
Share premium		9	9
Reserves	21	(2,654)	(3,122)
Retained earnings		1,721	1,369
<b>Total equity attributable to equity holders</b>		<b>2,324</b>	<b>1,504</b>
Non-controlling interest	22	3,327	3,071
<b>Total equity</b>		<b>5,651</b>	<b>4,575</b>

Consolidated statement of financial position

	Note	31 December 2023	31 December 2022
<b>Liabilities</b>			
Loans and borrowings	23	3,233	4,530
Financial instruments and financial liabilities	26	9	44
Provisions	24	260	249
Deferred income	25	84	83
Contract liabilities		120	108
Deferred tax liabilities	17	1,804	1,688
Trade payables and other liabilities	27	3	2
<b>Total non-current liabilities</b>		<b>5,513</b>	<b>6,704</b>
Trade payables and other liabilities	27	657	591
Contract liabilities	7	105	63
Loans and borrowings	23	638	99
Financial instruments and financial liabilities	26	52	577
Provisions	24	196	213
Deferred income	25	25	20
Current income tax liability	14	74	125
<b>Total current liabilities</b>		<b>1,747</b>	<b>1,688</b>
<b>Total liabilities</b>		<b>7,260</b>	<b>8,392</b>
<b>Total equity and liabilities</b>		<b>12,911</b>	<b>12,967</b>



# Consolidated statement of changes in equity

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

	Note	Share capital	Share premium
<b>Balance as at 1 January 2023 (A)</b>		3,248	9
<i>Total comprehensive income for the year:</i>			
<b>Profit or loss (B)</b>		-	-
<i>Other comprehensive income:</i>			
Foreign currency translation differences for foreign operations	14	-	-
Revaluation reserve included in other comprehensive income, net of tax	15	-	-
Effective portion of changes in fair value of cash-flow hedges, net of tax	14	-	-
<b>Total other comprehensive income (C)</b>		-	-
<b>Total comprehensive income for the year (D) = (B + C)</b>		-	-
<i>Contributions by and distributions to owners:</i>			
Dividends to equity holders	21	-	-
Transfer to retained earnings		-	-
<b>Total contributions by and distributions to owners (E)</b>		-	-
<i>Changes in ownership interests in subsidiaries that do not result in loss of control:</i>			
Effect of changes in ownership of non-controlling interest		-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>		-	-
<b>Total transactions with owners (G) = (E + F)</b>		-	-
<b>Balance at 31 December 2023 (H) = (A + D + G)</b>		<b>3,248</b>	<b>9</b>

Consolidated statement of changes in equity

Attributable to owners of the Company Reserves						Retained earnings	Total	Non-controlling interest	Total Equity
<i>Non-dis-tributable reserve</i>	<i>Translation reserve</i>	<i>Fair value reserve</i>	<i>Revalua-tion value reserve</i>	<i>Other capital reserves</i>	<i>Hedging reserve</i>				
1	61	-	1,293	(4,182)	(295)	1,369	1,504	3,071	<b>4,575</b>
-	-	-	-	-	-	<b>304</b>	<b>304</b>	<b>231</b>	<b>535</b>
-	(19)	-	-	-	-	-	(19)	(5)	(24)
-	-	-	234	-	-	-	234	244	478
-	-	-	-	-	301	-	301	128	429
-	<b>(19)</b>	-	<b>234</b>	-	<b>301</b>	-	<b>516</b>	<b>367</b>	<b>883</b>
-	<b>(19)</b>	-	<b>234</b>	-	<b>301</b>	<b>304</b>	<b>820</b>	<b>598</b>	<b>1,418</b>
-	-	-	-	-	-	-	-	(341)	(341)
-	-	-	(48)	-	-	48	-	-	-
-	-	-	<b>(48)</b>	-	-	<b>48</b>	-	<b>(341)</b>	<b>(341)</b>
-	-	-	-	-	-	-	-	(1)	(1)
-	-	-	-	-	-	-	-	<b>(1)</b>	<b>(1)</b>
-	-	-	<b>(48)</b>	-	-	<b>48</b>	-	<b>(342)</b>	<b>(342)</b>
1	42	-	1,479	(4,182)	6	1,721	2,324	3,327	5,651

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

	Note	Share capital	Share premium
<b>Balance as at 1 January 2022 (A)</b>		2,988	8
<i>Effect of change in functional currency</i>		260	1
<b>Adjusted balance at the beginning of the year</b>		<b>3,248</b>	<b>9</b>
<b>Profit or loss (B)</b>		-	-
Foreign currency translation differences for foreign operations	14	-	-
Fair value reserve included in other comprehensive income, net of tax		-	-
Effective portion of changes in fair value of cash-flow hedges, net of tax	14	-	-
<b>Total other comprehensive income (C)</b>		-	-
<b>Total comprehensive income for the year (D) = (B + C)</b>		-	-
<i>Contributions by and distributions to owners:</i>			
Dividends to equity holders	21	-	-
Transfer to retained earnings		-	-
<b>Total contributions by and distributions to owners (E)</b>		-	-
Effect of acquisitions through business combinations	6	-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>		-	-
<b>Total transactions with owners (G) = (E + F)</b>		-	-
<b>Balance at 31 December 2022 (H) = (A + D + G)</b>		<b>3,248</b>	<b>9</b>

Attributable to owners of the Company Reserves						Retained earnings	Total	Non-controlling interest	Total Equity
<i>Non-distributable reserve</i>	<i>Translation reserve</i>	<i>Fair value reserve</i>	<i>Revaluation value reserve</i>	<i>Other capital reserves</i>	<i>Hedging reserve</i>				
1	(54)	-	1,335	(3,814)	(321)	899	1,042	2,784	<b>3,826</b>
-	101	(3)	-	(368)	(3)	12	-	-	-
<b>1</b>	<b>47</b>	<b>(3)</b>	<b>1,335</b>	<b>(4,182)</b>	<b>(324)</b>	<b>911</b>	<b>1,042</b>	<b>2,784</b>	<b>3,826</b>
-	-	-	-	-	-	<b>416</b>	<b>416</b>	<b>285</b>	<b>701</b>
-	14	-	-	-	-	-	14	5	19
-	-	3	-	-	-	-	3	2	5
-	-	-	-	-	29	-	29	75	104
-	<b>14</b>	<b>3</b>	-	-	<b>29</b>	-	<b>46</b>	<b>82</b>	<b>128</b>
-	<b>14</b>	<b>3</b>	-	-	<b>29</b>	<b>416</b>	<b>462</b>	<b>367</b>	<b>829</b>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(82)	(82)
-	-	-	(42)	-	-	42	-	-	-
-	-	-	<b>(42)</b>	-	-	<b>42</b>	-	<b>(82)</b>	<b>(82)</b>
-	-	-	-	-	-	-	-	2	2
-	-	-	-	-	-	-	-	<b>2</b>	<b>2</b>
-	-	-	(42)	-	-	<b>42</b>	-	<b>(80)</b>	<b>(80)</b>
<b>1</b>	<b>61</b>	-	<b>1,293</b>	<b>(4,182)</b>	<b>(295)</b>	<b>1,369</b>	<b>1,504</b>	<b>3,071</b>	<b>4,575</b>

# Consolidated statement of cash flow

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

	Note	2023	2022
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		535	701
<i>Adjustments for:</i>			
Income taxes	14	188	253
Depreciation, amortization and impairment	15, 16	459	492
Dividend income	13	(3)	(1)
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net	7	(15)	1
Emission rights	11	175	192
(Profit) loss from financial instruments	13	(6)	(101)
Interest expense, net	13	50	85
Change in allowance for impairment to trade receivables and other assets, write-offs	13	42	(6)
Change in provisions		(1)	-
Other finance fees, net	13	1	5
Unrealized foreign exchange (gains) losses, net		8	(12)
<b>Operating profit before changes in working capital</b>		<b>1,433</b>	<b>1,609</b>
Change in trade receivables and other assets		430	(342)
Change in inventories		(24)	(133)
Change in trade payables and other liabilities		(36)	188
<b>Cash generated from (used in) operations</b>		<b>1,803</b>	<b>1,322</b>
Interest paid		(86)	(74)
Income taxes paid		(300)	(229)
<b>Cash flows generated from (used in) operating activities</b>		<b>1,417</b>	<b>1,019</b>

## Consolidated statement of cash flow

	Note	2023	2022
<b>INVESTING ACTIVITIES</b>			
Received dividends		2	1
Purchase of financial instruments		(3)	-
Loans provided to the other entities		(102)	(106)
Repayment of loans provided to other entities		104	127
Cession of receivable		-	4
Proceeds (outflows) from sale (settlement) of financial instruments		91	(37)
Acquisition of property, plant and equipment, investment property and intangible assets	15, 16	(202)	(165)
Purchase of emission rights	11	(227)	(193)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		4	6
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	-	(2)
Increase in participation in existing subsidiaries and special purpose entities		(1)	-
Interest received		43	5
<b>Cash flows from (used in) investing activities</b>		<b>(291)</b>	<b>(360)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings received	23	-	500
Repayment of loans and borrowings	23	(555)	(21)
Purchase of own bonds	23	(203)	-
Payment of lease liability	29	(14)	(12)
Dividends paid	21	(202)	(82)
<b>Cash flows from (used in) financing activities</b>		<b>(974)</b>	<b>385</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		152	1,044
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,548</b>	<b>501</b>
Effect of exchange rate fluctuations on cash held		(5)	3
<b>Cash and cash equivalents at end of the period</b>		<b>1,695</b>	<b>1,548</b>

# Notes to the consolidated financial statements

## 1. Background

EP Infrastructure, a.s. (the “Parent Company” or the “Company” or “EPIF” or “infrastructure subholding”) is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded by Energetický a průmyslový holding, a.s. (“EPH”) on 6 December 2013 as at that time a subsidiary that will hold/consolidate investments in entities belonging to the energy segment of Energetický a průmyslový holding, a.s. and its subsidiaries (the “EPH Group”).

The infrastructure subholding was established to separate the strategic infrastructure energy assets from other business activities of the EPH Group.

The main activities of the EPIF Group are natural gas transmission, gas and power distribution and supply, gas storage and heat production and distribution.

The consolidated financial statements of the Company for the year ended 31 December 2023 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates and joint-ventures (together referred to as the “Group” or the “EPIF Group”). The Group entities are listed in Appendix 1 – Group entities.

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

	Interest in share capital		Voting rights
	MEUR	%	%
EPIF Investments a.s.	2,241	69	69
CEI Investments S.à r.l.	1,007	31	31
<b>Total</b>	<b>3,248</b>	<b>100</b>	<b>100</b>

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CEI Investments S.à r.l.	1,007	31	31
<b>Total</b>	<b>3,248</b>	<b>100</b>	<b>100</b>

EP Infrastructure, a.s. is ultimately owned by EP Investment S.à r.l. with its registered office at 2 Place de Paris, 2314 Luxembourg.

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

- Daniel Křetínský (Chairman of the Board of Directors)
- Stéphane Louis Brimont (Vice-chairman of the Board of Directors)
- Gary Wheatley Mazzotti (Vice-chairman of the Board of Directors)
- William David George Price (Member of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský (Member of the Board of Directors)
- Milan Jalový (Member of the Board of Directors)

Information relating to the establishment of the parent company Energetický a průmyslový holding, a.s. and its shareholder structure was disclosed in the 2010 consolidated financial statements of Energetický a průmyslový holding, a.s. published on 20 May 2011.

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle (refer to Note 3 – Material accounting policies), the Company opted to present the contributed entities as if sold by EPH to the Company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

Under Czech law the non-cash contribution to the share capital must be valued by an independent valuation specialist. The difference between the value contributed to the statutory share capital as determined by the independent valuation specialist and net book value (after potential fair value adjustments recorded during the Purchase Price Allocation process when acquired by EPH) of the contributed entity as at the date when acquired or contributed by the parent company was presented as a pricing difference in Other capital reserves in Equity, rather than a goodwill from acquisition under IFRS 3.



## 2. Basis of preparation

### A STATEMENT OF COMPLIANCE

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

The consolidated financial statements were approved by the Board of Directors on 19 March 2024.

### B BASIS OF MEASUREMENT

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

- the gas transmission pipelines and the gas distribution pipelines at revalued amounts;
- derivative financial instruments;
- financial instruments at fair value through profit or loss;
- financial instruments at fair value through other comprehensive income.

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

The accounting policies described in the following paragraphs have been consistently applied by the Group *entities* and between accounting periods.

### C GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared on a going concern basis, which the Group regularly evaluates, also in light of the ongoing military conflict in Ukraine. The Parent 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 consolidated financial statements or on the going concern assumption in 2024. However, further negative developments of this situation cannot be ruled out, which could subsequently have a material negative impact on the Group, its business, financial position, results of operations, cash flows and overall outlook.

### D FUNCTIONAL AND PRESENTATION CURRENCY

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

### E USE OF ESTIMATES AND JUDGEMENTS

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

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

### I. ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

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

- Notes 6, 15 and 16 – Accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of property, plant and equipment and goodwill;
- Note 7 – Revenues;
- Note 15 – Measurement of gas transmission and gas distribution pipelines at revalued amounts;
- Note 24 – Recognition and measurement of provisions;
- Notes 23, 26 and 30 – Valuation of loans and borrowings and financial instruments;

### MEASUREMENT OF FAIR VALUES

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

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

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

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

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

Level 2: inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

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

## II. JUDGEMENTS

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

- Notes 6 and 16 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 7 – judgements relating to recognition of revenues from customers;
- Note 15 – assessment that IFRIC 12 and IFRS 16 is not applicable to the gas transmission and gas distribution pipelines, power distribution networks, gas storage facilities and heat infra facilities and distribution network;
- Note 6 and 22 – information relating to assessment of the control over the subsidiaries;
- Note 24 – measurement of defined benefit obligations, recognition and measurement of provisions;

## F RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

#### AMENDMENTS TO IAS 12 – DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

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

The Group has adopted Amendment to IAS 12 from 1 January 2023. For leases and decommissioning items, the Group is required to recognize associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented (i.e. 1 January 2022), with any cumulative effect recognized in retained earnings. There was no impact on the statement of financial position because the balances qualify for offset under IAS 12 and therefore no impact on the retained earnings as at 1 January 2022. The impact of the amendment related to detailed disclosure of deferred tax assets and liabilities is provided in Note 18 – Deferred tax assets and liabilities.

#### AMENDMENTS TO IAS 12 – INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES

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

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

NEWLY ADOPTED IFRS ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS WITH NO MATERIAL IMPACT ON THE GROUP'S FINANCIAL STATEMENTS:

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

**II. IFRS ACCOUNTING STANDARDS NOT YET EFFECTIVE**

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

AMENDMENTS TO IAS 1 – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND NON-CURRENT LIABILITIES WITH COVENANTS (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024)

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

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

AMENDMENTS TO IFRS 16 – LEASE LIABILITY IN A SALE AND LEASEBACK (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024)

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

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

AMENDMENTS TO IAS 7 AND IFRS 7 – SUPPLIER FINANCE ARRANGEMENTS (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024 (NOT ADOPTED BY EU YET))

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

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

AMENDMENTS TO IAS 21 – LACK OF EXCHANGEABILITY (EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2025 (NOT ADOPTED BY EU YET))

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

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

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

### 3. Material accounting policies

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

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 BASIS OF CONSOLIDATION

##### I. SUBSIDIARIES

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has power over the investee, exposure to variable returns from its involvement with the investee and is able to use its power over the 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 INVESTEEES

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 exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses 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 the exception of deferred tax assets and liabilities, assets or liabilities related to employee benefits and assets/disposal groups classified as held for sale under IFRS 5, which are recognized and measured in accordance with the respective standards.

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

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

#### IV. NON-CONTROLLING INTERESTS

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

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

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

#### V. TRANSACTIONS ELIMINATED ON CONSOLIDATION

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



**VI. UNIFICATION OF ACCOUNTING POLICIES**

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

**VII. PRICING DIFFERENCES**

The Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. or subsidiaries contributed to the share capital of the Company by Energetický a průmyslový holding, a.s. As these acquired or contributed entities were under common control of Energetický a průmyslový holding, a.s., they were therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are 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 cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and disposals of subsidiaries, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

**VIII. DISPOSAL OF SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES**

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 and associates in the statement of comprehensive income.

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

**B 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 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 30 – Risk management.

**II. TRANSLATION TO PRESENTATION CURRENCY**

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

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

**C NON-DERIVATIVE FINANCIAL ASSETS****I. CLASSIFICATION**

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

A financial asset is measured at amortized cost if both of the following conditions are met:

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

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

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

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

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

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

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

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

## II. RECOGNITION

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

## III. MEASUREMENT

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

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

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

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

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest rate method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

## IV. DE-RECOGNITION

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

## V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

**D NON-DERIVATIVE FINANCIAL LIABILITIES**

The Group has the following non-derivative financial liabilities: loans and borrowings, 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.

**E DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

**TRADING DERIVATIVES**

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

**SEPARABLE EMBEDDED DERIVATIVES**

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

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

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

**CASH FLOW HEDGES AND FAIR VALUE HEDGES**

The financial derivatives, which do not meet the criteria for hedge accounting as stated by IFRS 9 are classified as for trading and related profit and loss from changes in fair value is recognised in profit and loss.

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

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

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

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

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

**TRANSACTIONS WITH EMISSION RIGHTS AND ENERGY**

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

In particular, forward purchases and sales settled by delivery of the underlying are considered to fall outside the scope of application of IFRS 9, when the contract concerned is considered to have been entered into as a 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 does not meet above mentioned conditions, fall under the scope of IFRS 9 and are accounted for in line with the requirements of IFRS 9.

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.

## F CASH AND CASH EQUIVALENTS

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

## G 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 net realisable value if the net realisable value is lower than production costs.

## H IMPAIRMENT

### I. NON-FINANCIAL ASSETS

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

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

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

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

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

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

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



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

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

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

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

Financial assets are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchased or originated credit-impaired financial assets (“POCI”). At the date of the initial recognition, the financial asset is included in Stage I or POCI. Subsequent to initial recognition, financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III of the financial asset has been credit impaired.

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

- (a) a financial asset or its significant portion is overdue for more than 30 days;
- (b) the Group negotiates with the debtor in a financial difficulty about debt’s restructuring;
- (c) the probability of default of the debtor increases by 20 %; or
- (d) other material events occur which require individual assessment (e.g., development of external ratings of sovereign credit risk).

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred (e.g. a financial asset is overdue for more than 90 days, insolvency or similar proceedings have been initiated with the debtor, the probability of default of the borrower increases by 100 % compared to the previous rating).

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

## PRESENTATION OF LOSS ALLOWANCES

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

## III. EQUITY ACCOUNTED INVESTEEES

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.

## I. PROPERTY, PLANT AND EQUIPMENT

### I. OWNED ASSETS – COST MODEL

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (p) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

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

### II. OWNED ASSETS – REVALUATION MODEL

The gas transmission pipelines of eustream, a.s. and the gas distribution pipelines in SPP – distribúcia, a.s. are held under revaluation model (IAS 16). The assets are carried at revalued amount, which is fair value at the date of revaluation less accumulated subsequent depreciation and impairment. Revaluation is made with sufficient regularity, at least every 5 years. Revaluation is always applied to the entire class of property, plant and equipment the revalued asset belongs to.

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

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

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

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

### III. FREE-OF-CHARGE RECEIVED PROPERTY

Several items of gas and electricity equipment (typically connection terminals) were obtained “free of charge” from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability (before 1 January 2018 as deferred income) as receipt of the free of charge property is related to obligation to connect the customers to the grid. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

### IV. SUBSEQUENT COSTS

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

### V. DEPRECIATION

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

The estimated useful lives are as follows:

• Power plant buildings and structures	50–100 years
• Buildings and structures	20–50 years
• Gas transmission and distribution pipelines	30–70 years

• Machinery, electric generators, gas producers, turbines and drums	20–30 years
• Heat and electricity distribution networks	10–30 years
• Machinery and equipment	4–20 years
• Fixtures, fittings and other	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.

## J 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 for impairment annually.

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

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

**II. RESEARCH AND DEVELOPMENT**

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

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

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

**III. EMISSION RIGHTS****RECOGNITION AND MEASUREMENT**

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

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

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

**IMPAIRMENT OF EMISSION RIGHTS**

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

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

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

**RECOGNITION OF GRANTS**

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated

pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission rights. The release of deferred income to a profit and loss account is performed on a quarterly basis; any subsequent update to the estimate of total annual pollutants is taken into account during the following monthly or quarterly assessment. Any disposals of certificates or changes in their carrying amount do not affect the manner in which grant income is recognised.

**RECOGNITION, MEASUREMENT OF PROVISION**

A provision is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted.

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

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

**IV. SOFTWARE AND OTHER INTANGIBLE ASSETS**

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

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

**V. AMORTISATION**

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.

**K PROVISIONS**

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

Provisions are recognised 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).

**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). In general it is 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<sub>2</sub> 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 and gas storage facilities 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;
- 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 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.

## L LEASES

### DEFINITION OF A LEASE

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

### LESSOR ACCOUNTING

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

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

In the case of operating leasing the lessor recognises an underlying asset in the report 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.

### LESSEE ACCOUNTING

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

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

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

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of purchase, extension or termination option;

- in-substance fixed lease payments; or
- in the scope of a lease or consideration for a lease (lease modification) that is not accounted as a separate lease.

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

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

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

#### SERVICE PART OF A LEASE PAYMENT

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

#### LEASE TERM

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

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

#### RENEWAL OPTIONS

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

## M REVENUE

### I. REVENUES FROM CONTRACTS WITH CUSTOMERS

The Group applies a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on the criteria for meeting the performance obligation, the revenue is recognised:

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

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

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

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

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

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

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

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

• *Gas and electricity infrastructure services*

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

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

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

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

## 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. 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.

## N 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.

## O 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.

## P 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.

## Q DIVIDENDS

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

## R SEGMENT REPORTING

Due to the fact that the Group has issued debentures (Senior Secured Notes) listed on the Stock Exchange, the Group reports segmental information in accordance with IFRS 8.

Segment results that are reported to the Group's board of directors (the chief operating decision maker) include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

# 4. Determination of fair values

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

## A PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is based on three different approaches which may be employed to determine the fair value:

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

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

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

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

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



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

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

## **B INTANGIBLE ASSETS**

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

## **C 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.

## **D 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.

## **E 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.

## **F DERIVATIVES**

The fair value of forward electricity and gas contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on zero coupon rates).

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

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

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

## 5. Operating segments

The Group operates in four reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage and Heat Infra.

The Group identifies its operating segments at the level of each legal entity, the Group management monitors the performance of each entity through monthly management reporting. Operating segments are aggregated to four reportable segments mainly based on the nature of the services provided. A description of each segment is provided in the following paragraphs. Each reportable segment aggregates entities with similar economic characteristics (type of services provided, commodities involved and regulatory environment). Internal reports used by the EPIF's "chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance follow these reportable segments. Major indicators used by the Board of Directors to measure these segments' performance is profit (loss) for the year before income tax expenses, finance expense, finance income, change in impairment losses on financial instruments and other financial assets, share of profit of equity accounted investees, net of tax, gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates, depreciation of property, plant and equipment, amortization of intangible assets, negative goodwill and impairment of tangible and intangible assets ("Underlying EBITDA") and capital expenditures.

### I. GAS TRANSMISSION

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

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

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

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

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

### II. GAS AND POWER DISTRIBUTION

The Gas and power distribution segment consists of the Power distribution division, the Gas distribution division and the Supply division. The Power distribution division distributes electricity in the central Slovakia region while the Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. This segment is mainly represented by Stredoslovenská energetika Holding, a.s. (further "SSE"), Stredoslovenská distribučná, a.s. (further "SSD"), SPP – distribúcia, a.s. (further "SPPD"), EP ENERGY TRADING, a.s. (further "EPET") and Dobrá Energie s.r.o.

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

Revenue from sales of electricity and gas is recognised when the electricity and gas is delivered to the customer. With respect to SSE, RONI regulates certain aspects of SSE's relationships with its customers including the pricing of electricity, gas and services provided to certain SSE customers. Prices of electricity and gas for households and small business are regulated by RONI, while the price of electricity and gas for the wholesale customers is not regulated. In the Czech Republic, prices for end-consumers in supply activities are typically not regulated. In response to volatile commodity prices during 2022, both the Czech and Slovak Governments decided to set maximum prices of electricity and gas for certain customers for 2023 (further details are described in Regulatory risk, Note 30. (f)).

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

### III. GAS STORAGE

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

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

### IV. HEAT INFRA

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

### V. OTHER

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

### VI. HOLDING ENTITIES

The Holding entities mainly represent EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s. and Czech Gas Holding Investment B.V. The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries and associates.

**PROFIT OR LOSS****FOR THE YEAR ENDED 31 DECEMBER 2023**

In millions of EUR

	Gas trans- mission	Gas and power distribu- tion	Gas storage	Heat Infra	Total seg- ments	Other	Holding	Inter- segment elimina- tions	Con- solidated financial informa- tion
Revenues:									
Energy and related services	264	3,400	455	686	4,805	2	-	(661)	4,146
<i>external revenues</i>	264	3,205	421	255	4,145	1	-	-	4,146
<i>of which: Gas</i>	264	892	421	-	1,577	-	-	-	1,577
<i>Electricity</i>	-	2,313	-	98	2,411	1	-	-	2,412
<i>Heat</i>	-	-	-	157	157	-	-	-	157
<i>inter-segment revenues</i>	-	195	34	431	660	1	-	(661)	-
Revenues:									
Logistics and freight services	-	-	-	48	48	-	-	-	48
<i>external revenues</i>	-	-	-	48	48	-	-	-	48
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	-	-
Revenues: Other	-	29	7	17	53	7	-	(1)	59
<i>external revenues</i>	-	29	7	17	53	7	-	(2)	58
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	1	1
Gain (loss) from commodity derivatives for trading with electricity and gas, net	-	15	-	-	15	-	-	-	15
<b>Total revenues</b>	<b>264</b>	<b>3,444</b>	<b>462</b>	<b>751</b>	<b>4,921</b>	<b>9</b>	<b>-</b>	<b>(662)</b>	<b>4,268</b>
Purchases and consumables:									
Energy and related services	(48)	(2,612)	(17)	(319)	(2,996)	(2)	-	627	(2,371)
<i>external Purchases and consumables</i>	(32)	(2,180)	(13)	(144)	(2,369)	(2)	-	-	(2,371)
<i>inter-segment Purchases and consumables</i>	(16)	(432)	(4)	(175)	(627)	-	-	627	-
<b>Total Purchases and consumables</b>	<b>(48)</b>	<b>(2,612)</b>	<b>(17)</b>	<b>(319)</b>	<b>(2,996)</b>	<b>(2)</b>	<b>-</b>	<b>627</b>	<b>(2,371)</b>

	Gas trans- mission	Gas and power distribu- tion	Gas storage	Heat Infra	Total seg- ments	Other	Holding	Inter- segment elimina- tions	Con- solidated financial informa- tion
Services	(9)	(127)	(41)	(82)	(259)	(2)	(5)	35	(231)
Personnel expenses	(31)	(138)	(41)	(53)	(263)	(2)	(5)	-	(270)
Depreciation, amortisation and impairment	(117)	(240)	(37)	(60)	(454)	(4)	(1)	-	(459)
Emission rights, net	-	-	(2)	(173)	(175)	-	-	-	(175)
Operating work capitalized to fixed assets	2	23	4	2	31	-	-	-	31
Other operating income (expense), net	(39)	6	-	(2)	(35)	(1)	1	-	(35)
<b>Profit (loss) from operations</b>	<b>22</b>	<b>356</b>	<b>328</b>	<b>64</b>	<b>770</b>	<b>(2)</b>	<b>(10)</b>	<b>-</b>	<b>758</b>
Finance income	5	28	16	17	66	-	*502	*(494)	74
<i>external finance revenues</i>	5	15	10	9	39	-	35	-	74
<i>inter-segment finance revenues</i>	-	13	6	8	27	-	*467	*(494)	-
Change in impairment losses on financial instruments and other	-	(4)	(2)	-	(6)	-	-	-	(6)
Finance expense	(35)	(19)	(8)	(3)	(65)	(1)	(88)	51	(103)
<b>Net finance income (expense)</b>	<b>(30)</b>	<b>5</b>	<b>6</b>	<b>14</b>	<b>(5)</b>	<b>(1)</b>	<b>414</b>	<b>(443)</b>	<b>(35)</b>
<b>Profit (loss) before income tax</b>	<b>(8)</b>	<b>361</b>	<b>334</b>	<b>78</b>	<b>765</b>	<b>(3)</b>	<b>*404</b>	<b>*(443)</b>	<b>723</b>
Income tax expenses	2	(87)	(81)	(21)	(187)	-	(1)	-	(188)
<b>Profit (loss) for the year</b>	<b>(6)</b>	<b>274</b>	<b>253</b>	<b>57</b>	<b>578</b>	<b>(3)</b>	<b>*403</b>	<b>*(443)</b>	<b>535</b>

\* EUR 441 million is attributable to intra-group dividends primarily recognised by Slovak Gas Holding B.V., Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.

<b>Other financial information:</b>									
Underlying EBITDA <sup>(1)</sup>	139	596	365	124	1,224	2	(9)	-	1,217

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



## FOR THE YEAR ENDED 31 DECEMBER 2022

In millions of EUR

	Gas trans- mission	Gas and power distribu- tion	Gas storage	Heat Infra	Total seg- ments	Other	Holding	Inter- segment elimina- tions	Con- solidated financial informa- tion
Revenues:									
Energy and related services	342	3,124	458	664	4,588	4	-	(698)	3,894
<i>external revenues</i>	189	3,021	426	257	3,893	1	-	-	3,894
<i>of which: Gas</i>	189	1,038	426	-	1,653	-	-	-	1,653
<i>Electricity</i>	-	1,983	-	109	2,092	1	-	-	2,093
<i>Heat</i>	-	-	-	148	148	-	-	-	148
<i>inter-segment revenues</i>	153	103	32	407	695	3	-	(698)	-
Revenues:									
Logistics and freight services	-	-	-	43	43	-	-	-	43
<i>external revenues</i>	-	-	-	43	43	-	-	-	43
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	-	-
Revenues: Other	-	20	11	29	60	8	-	-	68
<i>external revenues</i>	-	20	11	29	60	8	-	-	68
<i>inter-segment revenues</i>	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity and freight derivatives, net	-	(1)	-	-	(1)	-	-	-	(1)
<b>Total revenues</b>	<b>342</b>	<b>3,143</b>	<b>469</b>	<b>736</b>	<b>4,690</b>	<b>12</b>	<b>-</b>	<b>(698)</b>	<b>4,004</b>
Purchases and consumables:									
Energy and related services	26	(2,428)	(19)	(216)	(2,637)	(2)	(1)	662	(1,978)
<i>external Purchases and consumables</i>	51	(1,865)	(18)	(143)	(1,975)	(2)	(1)	-	(1,978)
<i>inter-segment Purchases and consumables</i>	(25)	(563)	(1)	(73)	(662)	-	-	662	-
<b>Total Purchases and consumables</b>	<b>26</b>	<b>(2,428)</b>	<b>(19)</b>	<b>(216)</b>	<b>(2,637)</b>	<b>(2)</b>	<b>(1)</b>	<b>662</b>	<b>(1,978)</b>

	Gas trans- mission	Gas and power distribu- tion	Gas storage	Heat Infra	Total seg- ments	Other	Holding	Inter- segment elimina- tions	Con- solidated financial informa- tion
Services	(9)	(100)	(37)	(80)	(226)	(2)	(7)	38	(197)
Personnel expenses	(29)	(121)	(36)	(50)	(236)	(2)	(5)	-	(243)
Depreciation, amortisation and impairment	(139)	(229)	(28)	(60)	(456)	(2)	(34)	-	(492)
Emission rights, net	-	-	(2)	(190)	(192)	-	-	-	(192)
Negative goodwill	-	-	-	-	-	-	-	-	-
Operating work capitalized to fixed assets	2	23	2	2	29	-	-	-	29
Other operating income (expense), net	(8)	21	2	(4)	11	(1)	6	(2)	14
<b>Profit (loss) from operations</b>	<b>185</b>	<b>309</b>	<b>351</b>	<b>138</b>	<b>983</b>	<b>3</b>	<b>(41)</b>	<b>-</b>	<b>945</b>
Finance income	69	15	2	6	92	-	*634	*(625)	101
<i>external finance revenues</i>	69	3	2	2	76	-	25	-	101
<i>inter-segment finance revenues</i>	-	12	-	4	16	-	*609	*(625)	-
Impairment losses on financial instruments and other financial assets	-	-	(1)	-	(1)	-	5	-	4
Finance expense	(31)	(22)	(4)	(2)	(59)	(1)	(83)	47	(96)
<b>Net finance income (expense)</b>	<b>38</b>	<b>(7)</b>	<b>(3)</b>	<b>4</b>	<b>32</b>	<b>(1)</b>	<b>556</b>	<b>(578)</b>	<b>9</b>
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of subsidiaries	-	-	-	-	-	-	-	-	-
<b>Profit (loss) before income tax</b>	<b>223</b>	<b>302</b>	<b>348</b>	<b>142</b>	<b>1,015</b>	<b>2</b>	<b>*515</b>	<b>*(578)</b>	<b>954</b>
Income tax expenses	(55)	(74)	(85)	(27)	(241)	(1)	(11)	-	(253)
<b>Profit (loss) for the year</b>	<b>168</b>	<b>228</b>	<b>263</b>	<b>115</b>	<b>774</b>	<b>1</b>	<b>*504</b>	<b>*(578)</b>	<b>701</b>

\* EUR 579 million is attributable to intra-group dividends primarily recognised by Slovak Gas Holding B.V., Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.

<b>Other financial information:</b>									
Underlying EBITDA <sup>(1)</sup>	324	538	379	198	1,439	5	(7)	-	1,437

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

**UNDERLYING EBITDA RECONCILIATION TO THE CLOSEST IFRS MEASURE**

The underlying EBITDA reconciles to the profit as follows:

**FOR THE YEAR ENDED 31 DECEMBER 2023**

In millions of EUR

	Gas transmission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
<b>Underlying EBITDA</b>	<b>139</b>	<b>596</b>	<b>365</b>	<b>124</b>	<b>1,224</b>	<b>2</b>	<b>(9)</b>	<b>-</b>	<b>1,217</b>
Depreciation, amortisations and impairment	(117)	(240)	(37)	(60)	(454)	(4)	(1)	-	(459)
Finance income	5	28	16	17	66	-	502	(494)	74
Change in impairment losses on financial instruments and other financial assets	-	(4)	(2)	-	(6)	-	-	-	(6)
Finance expense	(35)	(19)	(8)	(3)	(65)	(1)	(88)	51	(103)
Income tax	2	(87)	(81)	(21)	(187)	-	(1)	-	(188)
<b>Profit (loss) for the year</b>	<b>(6)</b>	<b>274</b>	<b>253</b>	<b>57</b>	<b>578</b>	<b>(3)</b>	<b>403</b>	<b>(443)</b>	<b>535</b>

**FOR THE YEAR ENDED 31 DECEMBER 2022**

In millions of EUR

	Gas transmission	Gas and power distribution	Gas storage	Heat Infra	Total segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
<b>Underlying EBITDA</b>	<b>324</b>	<b>538</b>	<b>379</b>	<b>198</b>	<b>1,439</b>	<b>5</b>	<b>(7)</b>	<b>-</b>	<b>1,437</b>
Depreciation, amortisations and impairment	(139)	(229)	(28)	(60)	(456)	(2)	(34)	-	(492)
Finance income	69	15	2	6	92	-	634	(625)	101
Change in impairment losses on financial instruments and other financial assets	-	-	(1)	-	(1)	-	5	-	4
Finance expense	(31)	(22)	(4)	(2)	(59)	(1)	(83)	47	(96)
Income tax	(55)	(74)	(85)	(27)	(241)	(1)	(11)	-	(253)
<b>Profit (loss) for the year</b>	<b>168</b>	<b>228</b>	<b>263</b>	<b>115</b>	<b>774</b>	<b>1</b>	<b>504</b>	<b>(578)</b>	<b>701</b>

**SEGMENT ASSETS AND LIABILITIES****FOR THE YEAR ENDED 31 DECEMBER 2023**

In millions of EUR

	Gas transmission	Gas and power distribution	Gas storage	Heat Infra	Total reportable segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
Reportable segment assets	4,335	6,402	1,027	1,055	12,819	18	1,313	(1,239)	12,911
Reportable segment liabilities	(2,045)	(2,348)	(363)	(431)	(5,187)	(9)	(3,303)	1,239	(7,260)
Additions to tangible and intangible assets <sup>(1)</sup>	7	129	32	301	469	-	1	-	470
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights, right-of-use assets and goodwill)	5	106	26	65	202	-	-	-	202
Revaluation of gas pipelines (revaluation model)	-	592	-	-	592	-	-	-	592
Equity accounted investees	-	1	-	-	1	-	-	-	1

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

**FOR THE YEAR ENDED 31 DECEMBER 2022**

In millions of EUR

	Gas transmission	Gas and power distribution	Gas storage	Heat Infra	Total reportable segments	Other	Holding	Inter-segment eliminations	Consolidated financial information
Reportable segment assets	4,431	6,187	1,063	1,095	12,776	26	1,739	(1,574)	12,967
Reportable segment liabilities	(2,407)	(2,829)	(430)	(483)	(6,149)	(12)	(3,805)	1,574	(8,392)
Additions to tangible and intangible assets <sup>(1)</sup>	37	117	23	234	411	1	-	-	412
Acquisition of property, plant and equipment, investment property and intangible assets (excl. emission rights and goodwill)	32	90	10	33	165	-	-	-	165
Equity accounted investees	-	1	-	-	1	-	-	-	1

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

**INFORMATION ABOUT GEOGRAPHICAL AREAS**

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

**AS OF THE YEAR ENDED 31 DECEMBER 2023**

In millions of EUR

	Czech Republic	Slovakia	Germany	Total
Property, plant and equipment	574	9,192	158	9,924
Intangible assets and goodwill	311	41	3	355
<b>Total</b>	<b>885</b>	<b>9,233</b>	<b>161</b>	<b>10,279</b>

**FOR THE YEAR ENDED 31 DECEMBER 2023**

In millions of EUR

	Czech Republic	Slovakia	Germany	Other*	Total
Revenues: Gas	302	997	66	212	1,577
Revenues: Electricity	957	1,357	–	98	2,412
Revenues: Heat	157	–	–	–	157
Revenues: Logistics and freight services	18	1	16	13	48
Revenues: Other	24	32	2	1	59
Gain (loss) from commodity derivatives for trading with electricity and gas, net	(3)	–	–	18	15
<b>Total</b>	<b>1,455</b>	<b>2,387</b>	<b>84</b>	<b>342</b>	<b>4,268</b>

\* The geographical area “Other” comprises income items primarily from Switzerland, Luxembourg, France and United Kingdom.

**AS OF THE YEAR ENDED 31 DECEMBER 2022**

In millions of EUR

	Czech Republic	Slovakia	Germany	Total
Property, plant and equipment	583	8,819	160	9,562
Intangible assets and goodwill	287	40	3	330
<b>Total</b>	<b>870</b>	<b>8,859</b>	<b>163</b>	<b>9,892</b>

**FOR THE YEAR ENDED 31 DECEMBER 2022**

In millions of EUR

	Czech Republic	Slovakia	Germany	Other*	Total
Revenues: Gas	571	948	59	75	1,653
Revenues: Electricity	839	1,254	–	–	2,093
Revenues: Heat	148	–	–	–	148
Revenues: Logistics and freight services	27	2	5	9	43
Revenues: Other	39	21	6	2	68
Gain (loss) from commodity derivatives for trading with electricity and gas, net	(1)	–	–	–	(1)
<b>Total</b>	<b>1,623</b>	<b>2,225</b>	<b>70</b>	<b>86</b>	<b>4,004</b>

\* The geographical area “Other” comprises income items primarily from Switzerland, Luxembourg and France.

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

### A ACQUISITIONS AND STEP-ACQUISITIONS

#### I. 31 DECEMBER 2023

There were no significant acquisitions or step-acquisitions in 2023.

#### II. 31 DECEMBER 2022

On 28 April 2022, the Group through Stredoslovenská energetika Holding, a.s. ("SSEH") acquired 51% interest in PW geoenergy a.s., which is a project company pursuing a geothermal project in Central Slovakia. The transaction resulted in a derecognition of non-controlling interest in the amount of EUR 2 million.

### B EFFECT OF ACQUISITIONS

#### I. 31 DECEMBER 2023

There were no significant acquisitions or step-acquisitions in 2023.

#### II. 31 DECEMBER 2022

There were no significant acquisitions or step-acquisitions in 2022.

### C DISPOSAL OF INVESTMENTS

#### I. 31 DECEMBER 2023

There were no disposals in 2023.

#### II. 31 DECEMBER 2022

On 18 January 2022, the Group disposed 100% interest in Industrial Park Opatovice s.r.o. without any significant impact on the Group's financial statements.

On 14 February 2022, the Group disposed 100% interest in Greeninvest Energy, a.s. without any significant impact on the Group's financial statements.

On 22 February 2022, Nafta Exploration d.o.o. was dissolved from Commercial Register and deconsolidated without any significant impact on the Group's financial statements.

On 20 December 2022, the Group disposed 100% interest in Mirtheaven a.s. without any significant impact on the Group's financial statements.

## 7. Revenues

In millions of EUR

	2023	2022
<b>Revenues: Energy and related services</b>		
<i>of which: Electricity</i>	2,412	2,093
<i>Gas</i>	1,577	1,653
<i>Heat</i>	157	148
<b>Total Energy and related services</b>	<b>4,146</b>	<b>3,894</b>
<b>Revenues: Logistics and freight services</b>	<b>48</b>	<b>43</b>
<b>Revenues: Other</b>	<b>59</b>	<b>68</b>
<b>Total revenues from customers</b>	<b>4,253</b>	<b>4,005</b>
<b>Gain (loss) from commodity derivatives for trading with electricity and gas, net</b>	<b>15</b>	<b>(1)</b>
<b>Total</b>	<b>4,268</b>	<b>4,004</b>

For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

Revenues Energy and related services: Gas consists primarily of revenue from gas transmission of EUR 264 million (2022: EUR 342 million), from distribution of gas of EUR 485 million (2022: EUR 427 million) and gas storage of EUR 421 million (2022: EUR 426 million).

Revenues Energy and related services: Electricity consists primarily of sale of electricity of EUR 2,040 million (2022: EUR 1,943 million).

Revenues from logistics and freight services and other revenues are represented mainly by revenues of gypsum, revenues from transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

In 2023 and 2022 no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous periods.

Total revenues less total purchase and consumables are presented in line "Subtotal" in the statement of comprehensive income.



Contract assets and liabilities primarily relate to not invoiced part of fulfilled performance obligation, received payments for services and goods where control over the assets was not transferred to customer and deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers.

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

#### CONTRACT ASSETS AND LIABILITIES

The whole amount of EUR 63 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue during the year 2023.

## 8. Purchases and consumables

In millions of EUR

	2023	2022
Purchase cost of sold electricity	1,763	1,452
Purchase cost of sold gas and other energy products	360	377
Other purchase costs	120	80
Consumption of fuel and other material	114	49
Consumption of energy	10	13
Changes in WIP, semi-finished products and finished goods	2	4
Other purchases	2	3
<b>Total Purchases and consumables</b>	<b>2,371</b>	<b>1,978</b>

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

## 9. Services

In millions of EUR

	2023	2022
Repairs and maintenance	57	51
Outsourcing and other administration fees	43	25
Transport expenses	28	30
Network fees	19	13
Rent expenses	18	14
Consulting expenses	16	15
Information technologies costs	14	12
Advertising expenses	7	4
Industrial waste	5	8
Insurance expenses	4	3
Communication expenses	3	1
Training, courses, conferences	1	1
Security services	1	1
Other	15	19
<b>Total</b>	<b>231</b>	<b>197</b>

#### FEES PAYABLE TO STATUTORY AUDITORS

In millions of EUR

	2023	2022
Statutory audits	1	1
Services in addition to the Statutory audit	–	–
<b>Total</b>	<b>1</b>	<b>1</b>

The overview is based on an aggregation of fees paid or payable to statutory auditors by the Group. The fees are recorded in 100% amount by all subsidiaries, associates and joint-ventures. Statutory audits include fees payable for statutory audits of financial statements. Services in addition to the Statutory audit include primarily the following services:

- Review of the condensed interim consolidated financial statements;
- Assistance with the compilation of the Sustainability Report;
- Expert opinion on R&D allowance;
- Provision of Comfort letter;
- Other special reports (Covenant compliance, Gas flow, AUP over Slovak FS, Review report).

## 10. Personnel expenses

In millions of EUR

	2023	2022
Wages and salaries	183	166
Compulsory social security contributions	65	58
Board members' remuneration (including boards of subsidiaries and joint-ventures)	4	5
Expenses and revenues related to employee benefits (IAS 19)	3	1
Other social expenses	15	13
<b>Total</b>	<b>270</b>	<b>243</b>

The average number of employees during 2023 was 5,832 (2022: 5,837), of which 106 were executives (2022: 123).

## 11. Emission rights

In millions of EUR

	2023	2022
Deferred income (grant) released to profit and loss	(11)	(12)
Creation and release of provision for emission rights	186	204
Use of provision for emission rights	207	146
Consumption of emission rights	(207)	(146)
<b>Total</b>	<b>175</b>	<b>192</b>

The decrease of emission rights cost is caused primarily by the lower power production, which caused the decline in consumption of emission rights by the companies within the Group. The average market price<sup>1</sup> of 1 piece of emission allowance changed from 85.17 EUR/piece in 2022 to 85.35 EUR/piece in 2023.

<sup>1</sup> The average prices are derived from the European Energy Exchange market.

## 12. Other operating income (expense), net

In millions of EUR

	2023	2022
Property acquired free-of-charge and fees from customers	10	5
Rental income	6	7
Compensation from insurance and other companies	4	8
Consulting fees	3	14
Contractual penalties	2	1
Profit from sales of material	1	1
Other*	11	12
<b>Other operating income</b>	<b>37</b>	<b>48</b>
Impairment losses	(36)	(3)
<i>Of which relates to: Trade receivables and other assets</i>	-	(2)
<i>Inventories</i>	(36)	(1)
Office equipment and other material	(7)	(8)
Taxes and charges	(7)	(7)
Consulting expenses	(6)	(3)
Shortages and damages	(2)	(2)
Gifts and sponsorship	(3)	(3)
Creation, reversal of provision	(3)	4
Loss from receivables written-off	-	(1)
Other*	(8)	(11)
<b>Other operating expense</b>	<b>(72)</b>	<b>(34)</b>
<b>Other operating income (expense), net</b>	<b>(35)</b>	<b>14</b>

\* Other consists of miscellaneous items. None individual value exceeds EUR 1 million.

No material research and development expenses were recognised in profit and loss for the year ended 31 December 2023 and 31 December 2022.

## 13. Net finance income (expense)

### RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2023	2022
Interest income	48	6
Fee and commission income	4	–
Dividend income	3	1
Profit from trading derivatives	4	103
Profit (loss) from hedging derivatives	2	(1)
Profit (loss) from sale of financial assets	1	(5)
Net foreign exchange profit (loss)	12	(3)
<b>Total finance income</b>	<b>74</b>	<b>101</b>
Change in impairment on financial assets	(6)	4
<b>Total change in impairment on financial assets</b>	<b>(6)</b>	<b>4</b>
Interest expense	(92)	(90)
Interest expense from unwind of provision discounting	(6)	(1)
Fees and commissions expense for other services	(5)	(5)
<b>Total finance expense</b>	<b>(103)</b>	<b>(96)</b>
<b>Net finance income (expense)</b>	<b>(35)</b>	<b>9</b>

(1) While all derivatives are for the risk management purposes, a portion of them does not meet accounting criteria for recognition as hedging instruments under IFRS 9 as further described under Note 3f

## 14. Income tax expenses

### INCOME TAXES RECOGNIZED IN PROFIT OR LOSS

In millions of EUR

	2023	2022
<i>Current taxes:</i>		
Current year	(245)	(310)
Withholding tax	(3)	–
<b>Total current taxes</b>	<b>(248)</b>	<b>(310)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	60	57
<b>Total deferred taxes</b>	<b>60</b>	<b>57</b>
<b>Total income taxes (expense) benefit recognised in profit or loss</b>	<b>(188)</b>	<b>(253)</b>

(1) For details refer to Note 17 – Deferred tax assets and liabilities.

Balance of current income tax liability in amount of EUR 74 million (2022: EUR 125 million) is mainly represented by NAFTA a.s. of EUR 24 million (2022: EUR 40 million), Stredoslovenská energetika Holding, a.s. of EUR 10 million (2022: EUR 0 million), NAFTA Germany GmbH of EUR 9 million (2022: EUR 6 million), SPP – distribúcia, a.s of EUR 5 million (2022: EUR 14 million), Stredoslovenská distribučná, a.s. of EUR 6 million (2022: EUR 12 million), EP Infrastructure, a.s. of EUR 4 million (2022: EUR 9 million), EP ENERGY TRADING, a.s. of EUR 3 million (2022: EUR 8 million) and Elektrárny Opatovice, a.s. of EUR 0 million (2022: EUR 11 million).

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech legislation the corporate income tax rate is 19% for fiscal year 2023 and will increase to 21% from fiscal year 2024 (19% for 2022). The Slovak corporate income tax rate is 21% for fiscal year 2023 (21% for 2022). The German federal income tax rate is 27% for fiscal year 2023 (26.95% for 2022). Current year income tax line includes also a special sector tax effective in Slovakia.

### PILLAR TWO INCOME TAX (GLOBAL MINIMUM TOP-UP TAX)

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation. However, the legislation was enacted close to the reporting date. Additionally, further guidance affecting the implication of the Pillar 2 legislation is still being issued by the legislators. As the result, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential material exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group is actively continuing to monitor the development of the Pillar 2 legislation in all countries where it operates and assessing the potential impact of Pillar 2.

In relation to deferred taxes, the Group has applied a temporary mandatory exemption from deferred tax accounting impact and neither recognizes nor discloses information about deferred tax related to Pillar Two income taxes.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

In millions of EUR

2023			
	Gross	Income tax	Net of income tax
Items that are not reclassified subsequently to profit or loss			
Revaluation reserve included in other comprehensive income	592	(114)	478
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(24)	-	(24)
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	514	(85)	429
Total	1,082	(199)	883

(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.

In millions of EUR

2022			
	Gross	Income tax	Net of income tax
Items that are not reclassified subsequently to profit or loss			
Fair value reserve included in other comprehensive income <sup>(1)</sup>	6	(1)	5
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	19	-	19
Effective portion of changes in fair value of cash-flow hedges <sup>(1)</sup>	135	(31)	104
Total	160	(32)	128

(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

		2023		2022
		%	%	
Profit before tax		723		954
Income tax using the Company's domestic rate (19%)	19.00%	137	19.00%	181
Regulated industry tax <sup>(1)</sup>	4.02%	29	4.40%	42
Effect of tax rates in foreign jurisdictions	2.08%	15	1.68%	16
Non-deductible expenses <sup>(2)</sup>	2.64%	19	2.10%	20
Non-taxable income	(1.25%)	(9)	(0.63%)	(6)
Recognition of previously unrecognized tax losses	(0.55%)	(4)	(0.42%)	(4)
Current year losses for which no deferred tax asset was recognized	0.42%	3	0.52%	5
Change in temporary differences for which no deferred tax asset is recorded	(0.69%)	(5)	(0.10%)	(1)
Withholding tax	0.42%	3	-	-
Income taxes recognised in profit or loss for continuing operations	26.09%	188	26.55%	253

(1) This item relates to special industry tax applied in Slovakia. The balance consists mainly of amount recognized by eustream, a.s. of EUR 2 million (2022: EUR 11 million), SPP - distribúcia, a.s. of EUR 11 million (2022: EUR 11 million), NAFTA a.s. of EUR 8 million (2022: EUR 15 million), Stredoslovenská distribučná, a.s. of EUR 5 million (2022: EUR 2 million) and POZAGAS a.s. of EUR 2 million (2022: EUR 3 million).

(2) The basis consists mainly of non-deductible interest expense.



## 15. Property, plant and equipment

In millions of EUR

	Land and buildings <sup>(1)</sup>	Gas transmission pipelines – fair value mode	Gas distribution pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation		Level 3	Level 3					
<b>Balance at 1 January 2023</b>	<b>2,142</b>	<b>3,922</b>	<b>3,932</b>	<b>-</b>	<b>2,101</b>	<b>16</b>	<b>99</b>	<b>12,212</b>
Effects of movements in foreign exchange	(15)	-	-	-	(19)	-	(1)	<b>(35)</b>
Additions	51	-	11	-	46	-	118	<b>226</b>
Revaluation	-	-	135	-	-	-	-	<b>135</b>
Disposals	(4)	(2)	(6)	-	(38)	-	(3)	<b>(53)</b>
Transfers	12	(1)	28	-	23	-	(62)	<b>-</b>
Change in provision recorded in property, plant and equipment	10	-	-	-	-	-	-	<b>10</b>
<b>Balance at 31 December 2023</b>	<b>2,196</b>	<b>3,919</b>	<b>4,100</b>	<b>-</b>	<b>2,113</b>	<b>16</b>	<b>151</b>	<b>12,495</b>
<b>Depreciation and impairment losses</b>								
<b>Balance at 1 January 2023</b>	<b>(803)</b>	<b>(295)</b>	<b>(464)</b>	<b>-</b>	<b>(1,076)</b>	<b>(3)</b>	<b>(9)</b>	<b>(2,650)</b>
Effects of movements in foreign exchange	8	-	-	-	13	-	-	<b>21</b>
Depreciation charge for the year	(69)	(88)	(164)	-	(113)	-	-	<b>(434)</b>
Disposals	3	2	6	-	37	-	-	<b>48</b>
Revaluation	-	-	457	-	-	-	-	<b>457</b>
Impairment losses recognized in profit or loss	(5)	-	(3)	-	-	-	(5)	<b>(13)</b>
<b>Balance at 31 December 2023</b>	<b>(866)</b>	<b>(381)</b>	<b>(168)</b>	<b>-</b>	<b>(1,139)</b>	<b>(3)</b>	<b>(14)</b>	<b>(2,571)</b>
<b>Carrying amounts</b>								
<b>At 1 January 2023</b>	<b>1,339</b>	<b>3,627</b>	<b>3,468</b>	<b>-</b>	<b>1,025</b>	<b>13</b>	<b>90</b>	<b>9,562</b>
<b>At 31 December 2023</b>	<b>1,330</b>	<b>3,538</b>	<b>3,932</b>	<b>-</b>	<b>974</b>	<b>13</b>	<b>137</b>	<b>9,924</b>

(1) Including right-of-use assets.

In millions of EUR

	Land and buildings <sup>(1)</sup>	Gas transmission pipelines – fair value mode	Gas distribution pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation		Level 3	Level 3					
<b>Balance at 1 January 2022</b>	<b>2,060</b>	<b>3,803</b>	<b>3,923</b>	<b>12</b>	<b>2,020</b>	<b>12</b>	<b>198</b>	<b>12,028</b>
Effects of movements in foreign exchange	16	-	-	-	20	-	2	<b>38</b>
Additions	38	22	16	-	42	-	80	<b>198</b>
Disposals	(6)	(5)	(7)	-	(22)	-	(2)	<b>(42)</b>
Transfers	44	102	-	(12)	41	4	(179)	<b>-</b>
Change in provision recorded in property, plant and equipment	(10)	-	-	-	-	-	-	<b>(10)</b>
<b>Balance at 31 December 2022</b>	<b>2,142</b>	<b>3,922</b>	<b>3,932</b>	<b>-</b>	<b>2,101</b>	<b>16</b>	<b>99</b>	<b>12,212</b>
<b>Depreciation and impairment losses</b>								
<b>Balance at 1 January 2022</b>	<b>(722)</b>	<b>(215)</b>	<b>(321)</b>	<b>(1)</b>	<b>(952)</b>	<b>(2)</b>	<b>(6)</b>	<b>(2,219)</b>
Effects of movements in foreign exchange	(6)	-	-	-	(9)	-	(2)	<b>(17)</b>
Depreciation charge for the year	(85)	(87)	(143)	-	(138)	(1)	-	<b>(454)</b>
Disposals	5	5	2	-	22	-	-	<b>34</b>
Transfer	(1)	2	(2)	1	-	-	-	<b>-</b>
Impairment losses recognized in profit or loss	6	-	-	-	1	-	(1)	<b>6</b>
<b>Balance at 31 December 2022</b>	<b>(803)</b>	<b>(295)</b>	<b>(464)</b>	<b>-</b>	<b>(1,076)</b>	<b>(3)</b>	<b>(9)</b>	<b>(2,650)</b>
<b>Carrying amounts</b>								
<b>At 1 January 2022</b>	<b>1,338</b>	<b>3,588</b>	<b>3,602</b>	<b>11</b>	<b>1,068</b>	<b>10</b>	<b>192</b>	<b>9,809</b>
<b>At 31 December 2022</b>	<b>1,339</b>	<b>3,627</b>	<b>3,468</b>	<b>-</b>	<b>1,025</b>	<b>13</b>	<b>90</b>	<b>9,562</b>

(1) Including right-of-use assets.

**REVALUATION OF GAS PIPELINES**

The gas distribution pipeline owned and operated by SPP – distribúcia, a.s. and the gas transmission pipeline owned and operated by eustream a.s. are recognised at revalued amount, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology). For more details on revaluation, refer to Note 2 (d) and Note 4 (a).

As of 31 December 2022, SPPD's distribution pipeline system had a carrying value of EUR 3,468 million under the Revaluation model. Based on the revaluation of relevant assets performed with an effective date as of 1 January 2023, the carrying value increased to EUR 4,060 million. The difference of EUR 592 million with a corresponding deferred tax impact of EUR 151 million was recognized as a current period revaluation under IAS 16 and reported in other comprehensive income for the period.

Revalued asset is depreciated on a straight-line basis, revaluation surplus is released to retained earnings as the asset is depreciated. If the revalued asset is derecognised or sold, the revaluation surplus as a whole is transferred to retained earnings. These transfers are made directly in equity and do not affect other comprehensive income.

If the pipelines were accounted for using the cost model, the net book value of the asset as at 31 December 2023 would be EUR 3,877 million (2022: EUR 3,985 million) of which net book value of eustream's assets EUR 1,966 million (2022: EUR 2,031 million) and net book value of SPPD's assets EUR 1,911 million (2022: EUR 1,954 million).

**IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT**

The Company regularly monitors the performance of its subsidiaries and evaluates potential scenarios of their future development, also in light of the ongoing military invasion in Ukraine and associated sanctions targeting the Russian Federation. As at the date of these financial statements, the Parent Company has analysed the impacts of the situation on its business and performed an impairment testing in line with its significant accounting policy described in note 3 (h) Impairment. In particular, the Parent Company assessed scenarios regarding the potential use of the transmission network and gas supply via the transmission system, the development of regulatory frameworks in countries where the Group operates, the consumption of gas and power in Slovakia, overall demand for transmission and gas storage services, as well as consumption and price development of heat and electricity, all of which might have an impact on the recoverable amount of assets. The Parent Company evaluated various scenarios, including alternatives that assumed, among other, the termination of Russian gas supplies to EU countries.

The recoverable amount was determined as value in use based on the estimated future cash flows discounted to present value, using midterm business plans and perpetuity. The following underlying assumptions were considered for the base case scenario:

- Commodity prices are based on available forward prices,

- In the short to mid-term horizon, it is anticipated that Russian gas will continue to be supplied to EU countries at least at levels observed as of the balance sheet date. In the mid-term, EU countries are expected to develop additional LNG capacities in the region to balance the reduction in Russian gas supplies experienced since mid-2022 without significantly reducing Europe's gas consumption,
- Due to the strategic position of eustream with respect to the gas supply to countries neighbouring with Slovakia, the gas transmission network of eustream is deemed to be relevant even in a scenario with reduced or even stopped natural gas flows from Russia,
- The major Russian shipper is assumed to honour its long-term capacity contract with eustream,
- Natural gas demand in Slovakia and the neighbouring countries is expected to remain broadly in line with historical volumes,
- Significant decarbonisation projects are assumed to be implemented at the generation assets in the Heat Infra segment, which are expected to be co-funded by subsidies,
- In the long term, natural gas is assumed to be replaced by low-carbon gases,
- The Group aims to be a frontrunner in the transition to a hydrogen future, therefore a necessary transformation of the business is expected to be undertaken.

The discount rates applied to the cash flow projections used for the value in use determination are calculated as the Weighted Average Cost of Capital (WACC) of each CGU. Cost of Equity was determined using the Capital Asset Pricing Model, while parameters were based on the reputable external sources and peer-group entities relevant to each CGU. Among other things, Cost of Equity takes into account a risk premium rate considering the recent developments.

Based on the afore mentioned assumptions and the impairment test performed, the Parent Company has not identified any material Impairment of Property, Plant and Equipment that would require a correction of its measurement in the financial statements in line with the applicable accounting regulations. However, given the uncertainty of the future developments it is not possible to rule out the need for future adjustments to the values of the Group's Property, Plant and Equipment in the future.

**IDLE ASSETS**

As at 31 December 2023 and 31 December 2022 the Group had no significant idle assets.

**SECURITY**

At 31 December 2023 and 2022 no property, plant and equipment is subject to pledges to secure bank loans or issued debentures.

## 16. Intangible assets and goodwill

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2023</b>	<b>117</b>	<b>82</b>	<b>195</b>	<b>43</b>	<b>25</b>	<b>462</b>
Effect of movements in foreign exchange rates	-	-	(6)	(1)	-	(7)
Additions	-	5	240	-	5	250
Disposals	-	(1)	(206)	-	-	(207)
Transfers	-	3	1	-	(4)	-
<b>Balance at 31 December 2023</b>	<b>117</b>	<b>89</b>	<b>224</b>	<b>42</b>	<b>26</b>	<b>498</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2023</b>	<b>(45)</b>	<b>(67)</b>	<b>-</b>	<b>(13)</b>	<b>(7)</b>	<b>(132)</b>
Amortisation for the year	-	(5)	-	(2)	(3)	(10)
Disposals	-	1	-	-	-	1
Impairment losses recognized in profit or loss	-	-	-	(2)	-	(2)
<b>Balance at 31 December 2023</b>	<b>(45)</b>	<b>(71)</b>	<b>-</b>	<b>(17)</b>	<b>(10)</b>	<b>(143)</b>
<b>Carrying amount</b>						
<b>At 1 January 2023</b>	<b>72</b>	<b>15</b>	<b>195</b>	<b>30</b>	<b>18</b>	<b>330</b>
<b>At 31 December 2023</b>	<b>72</b>	<b>18</b>	<b>224</b>	<b>25</b>	<b>16</b>	<b>355</b>

In millions of EUR

	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
<b>Cost</b>						
<b>Balance at 1 January 2022</b>	<b>116</b>	<b>80</b>	<b>129</b>	<b>196</b>	<b>17</b>	<b>538</b>
Effect of movements in foreign exchange rates	-	-	5	1	-	6
Additions	-	4	207	-	4	215
Acquisitions	1	-	-	-	6	7
Disposals	-	(3)	(146)	(154)	(1)	(304)
Transfers	-	1	-	-	(1)	-
<b>Balance at 31 December 2022</b>	<b>117</b>	<b>82</b>	<b>195</b>	<b>43</b>	<b>25</b>	<b>462</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2022</b>	<b>(11)</b>	<b>(64)</b>	<b>-</b>	<b>(165)</b>	<b>(5)</b>	<b>(245)</b>
Amortisation for the year	-	(6)	-	(2)	(2)	(10)
Disposals	-	3	-	154	-	157
Impairment losses recognized in profit or loss	(34)	-	-	-	-	(34)
<b>Balance at 31 December 2022</b>	<b>(45)</b>	<b>(67)</b>	<b>-</b>	<b>(13)</b>	<b>(7)</b>	<b>(132)</b>
<b>Carrying amount</b>						
<b>At 1 January 2022</b>	<b>105</b>	<b>16</b>	<b>129</b>	<b>31</b>	<b>12</b>	<b>293</b>
<b>At 31 December 2022</b>	<b>72</b>	<b>15</b>	<b>195</b>	<b>30</b>	<b>18</b>	<b>330</b>

In 2023, the Group purchased emission allowances of EUR 227 million (2022: EUR 193 million). The remaining part of EUR 13 million (2022: EUR 14 million) was allocated to the Group by the authorities and counterparties.

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

Other intangible assets comprise valuable rights and intangible assets under construction.

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

The Group did not capitalise any development costs in 2023 and 2022.

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. However, no significant research costs were incurred during 2023 and 2022.

**IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL**

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

The aggregate carrying amounts of goodwill allocated to single cash generating units are as follows:

In millions of EUR

	31 December 2023	31 December 2022
EOP Distribuce, a.s.*	52	52
Elektrárny Opatovice, a.s.*	8	8
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.	5	5
Dobrá energie, s.r.o.	1	1
SPV100, s.r.o.	1	1
<b>Total goodwill</b>	<b>72</b>	<b>72</b>

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

**GOODWILL AND IMPAIRMENT TESTING**

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. The Group also conducts impairment testing of other intangible assets with indefinite useful lives, and of cash generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows. Value in use is derived from management forecasts of future cash flows updated since the date of acquisition. Impairment tests were performed in a similar manner as described in Note 15.

No impairment of Goodwill was recognized in 2023. In 2022, an impairment of Goodwill related to Elektrárny Opatovice, a.s. was booked in the amount of EUR 34 million.

**17. 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 2023			31 December 2022		
Temporary difference related to:	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	3	(1,839)	(1,836)	1	(1,767)	(1,766)
Intangible assets	-	(20)	(20)	-	(20)	(20)
Inventories	10	-	10	2	-	2
Trade receivables and other assets	5	-	5	4	-	4
Provisions	55	-	55	49	-	49
Employees benefits (IAS 19)	7	-	7	5	-	5
Loans and borrowings	-	(11)	(11)	-	(11)	(11)
Tax losses	1	(1)	-	1	(1)	-
Derivatives	40	(10)	30	131	(18)	113
Other items	7	(25)	(18)	5	(21)	(16)
<b>Subtotal</b>	<b>128</b>	<b>(1,906)</b>	<b>(1,778)</b>	<b>198</b>	<b>(1,838)</b>	<b>(1,640)</b>
Set-off tax	(102)	102	-	(150)	150	-
<b>Total</b>	<b>26</b>	<b>(1,804)</b>	<b>(1,778)</b>	<b>48</b>	<b>(1,688)</b>	<b>(1,640)</b>

**MOVEMENTS IN DEFERRED TAX DURING THE YEAR**

In millions of EUR

Balances related to:	Balance at 1 January 2023	Recognised in profit or loss	Recognised in other com- prehensive income	Transfer	Effect of movements in foreign ex- change rate	Balance at 31 December 2023
Property, plant and equipment	(1,766)	41	(107)	(5)	1	(1,836)
Intangible assets	(20)	-	-	-	-	(20)
Inventories	2	8	-	-	-	10
Trade receivables and other assets	4	1	-	-	-	5
Provisions	49	5	-	1	-	55
Employee benefits (IAS 19)	5	1	-	-	1	7
Loans and borrowings	(11)	-	-	-	-	(11)
Tax losses	-	(1)	-	-	1	-
Derivatives	113	3	(85)	-	(1)	30
Other	(16)	2	(7)	4	(1)	(18)
<b>Total</b>	<b>(1,640)</b>	<b>60</b>	<b>(199)</b>	<b>-</b>	<b>1</b>	<b>(1,778)</b>



In millions of EUR

Balances related to:	Balance at 1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movements in foreign exchange rate	Balance at 31 December 2022
Property, plant and equipment	(1,813)	48	-	(1)	(1,766)
Intangible assets	(20)	-	-	-	(20)
Inventories	2	-	-	-	2
Tradereceivablesandotherassets	4	-	-	-	4
Provisions	49	(1)	-	1	49
Employee benefits (IAS 19)	7	-	(2)	-	5
Unpaid interest, net	(2)	-	2	-	-
Loans and borrowings	(11)	-	-	-	(11)
Tax losses	(1)	1	-	-	-
Derivatives	144	-	(32)	1	113
Other	(24)	9	-	(1)	(16)
<b>Total</b>	<b>(1,665)</b>	<b>57</b>	<b>(32)</b>	<b>-</b>	<b>(1,640)</b>

**UNRECOGNISED DEFERRED TAX ASSETS**

A deferred tax asset has not been recognised in respect of the following tax losses that are available for carry forward by certain EPIF Group entities:

In millions of EUR

	31 December 2023	31 December 2022
Tax losses carried forward	217	217
<b>Total</b>	<b>217</b>	<b>217</b>

A deferred tax asset that has not been recognised in respect of the tax losses is attributable to the following entities:

In millions of EUR

	31 December 2023	31 December 2022
Seattle Holding B.V.	96	96
EP Energy, a.s.	7	28
Czech Gas Holding Investment B.V.	13	13
Slovak Gas Holding B.V.	24	12
SPP Infrastructure, a.s.	11	2
EPH Gas Holding B.V.	66	66
<b>Total</b>	<b>217</b>	<b>217</b>

The entities in the table represent holding companies with insignificant operating activities. The Group does not expect significant taxable profit growth on these entities, so no deferred tax was recognized. If sufficient taxable profits were to be achieved in 2023, then the associated tax income (savings) would be up to EUR 41 million (2022: 41 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:

	2024	2025	2026	2027	After 2027	Total
<b>Tax losses</b>	10	3	3	2	199	<b>217</b>

Tax losses expire over a period of 5 years in the Czech Republic, 4 years in Slovakia and 6 years (9 years for losses up to 2018) in the Netherlands for standard tax losses. 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.

**18. Inventories**

In millions of EUR

	31 December 2023	31 December 2022
Natural gas	232	279
Other fossil fuel	44	10
Raw materials and supplies	20	18
Spare parts	14	14
Work in progress	1	2
<b>Total</b>	<b>311</b>	<b>323</b>

As at 31 December 2023 and 2022 no inventories were subject to pledges.

## 19. Trade receivables and other assets

In millions of EUR

	31 December 2023	31 December 2022
Trade receivables	283	417
Margin deposit relating to derivatives	37	311
Advance payments	62	70
Other receivables and assets	33	19
Value added tax receivables, net	8	8
Other taxes receivables, net	8	–
Estimated receivables	2	3
Accrued income	3	–
Allowance for bad debts	(36)	(31)
<b>Total</b>	<b>400</b>	<b>797</b>
Non-current	5	48
Current	395	749
<b>Total</b>	<b>400</b>	<b>797</b>

(1) For more detail on accrued income refer to Note 28 – Commitments and contingencies.

In 2023 EUR 1 million receivables were written-off through profit or loss (2022: EUR 1 million).

As at 31 December 2023 and 2022 no receivables are subject to pledges.

As at 31 December 2023 trade receivables and other assets amounting EUR 361 million are not past due (2022: EUR 783 million), remaining net balance of EUR 39 million is overdue (2022: EUR 14 million). For more detailed aging analysis refer to Note 30 (a)(ii) – Risk management – credit risk (impairment losses).

As at 31 December 2023 and 2022 the fair value of trade receivables and other assets equal to its carrying amount.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 30 – Risk management policies and disclosures.

## 20. Cash and cash equivalents

In millions of EUR

	31 December 2023	31 December 2022
Current accounts with banks	858	1,407
Term deposits	682	141
Bills of exchange	155	–
<b>Total</b>	<b>1,695</b>	<b>1,548</b>

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

As at 31 December 2023 and 2022 no cash equivalents are subject to pledges.

## 21. Equity

### SHARE CAPITAL AND SHARE PREMIUM

The authorised, issued and fully paid share capital as at 31 December 2023 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each (2022: 222,870,000 ordinary shares) ("Shares A") and 100,130,000 shares (with which special rights relating to profit distribution are connected as specified in the Articles of Incorporation) with a par value of CZK 250 each (2022: 100,130,000 shares) ("Shares B").

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 250 at meetings of the Company's shareholders.

The balance of the share capital increased to EUR 3,248 million due to the change of the functional currency of the Parent Company from 1 January 2022.

In 2023 and in 2022 the Company declared and paid no dividends to its shareholders.

In 2023 and 2022 the Group paid dividends as follows:

In millions of EUR

	31 December 2023	31 December 2022
Shareholders of the Company	–	–
NCI*	202	82
<b>Total</b>	<b>202</b>	<b>82</b>

\* Comprise dividends paid to non-controlling shareholders which are mainly SPP, a.s., Ministry of Economy of the Slovak Republic and City of Pilsen.

### 31 DECEMBER 2023

In thousands of pieces

	Number of shares		Ownership	Voting rights
	250 CZK		%	%
	Shares A	Shares B		
EPIF Investments a.s.	222,870	–	69	69
CEI INVESTMENTS S.à r.l.	–	100,130	31	31
<b>Total</b>	<b>222,870</b>	<b>100,130</b>	<b>100</b>	<b>100</b>

### 31 DECEMBER 2022

In thousands of pieces

	Number of shares		Ownership	Voting rights
	250 CZK		%	%
	Shares A	Shares B		
EPIF Investments a.s.	222,870	–	69	69
CEI INVESTMENTS S.à r.l.	–	100,130	31	31
<b>Total</b>	<b>222,870</b>	<b>100,130</b>	<b>100</b>	<b>100</b>

Reserves recognised in equity comprise the following items:

In millions of EUR

	31 December 2023	31 December 2022
Non-distributable reserves	1	1
Revaluation reserve	1,479	1,293
Hedging reserve	6	(295)
Translation reserve	42	61
Other capital reserves	(4,182)	(4,182)
<b>Total</b>	<b>(2,654)</b>	<b>(3,122)</b>

### OTHER CAPITAL RESERVES

As stated in section 3 (a) vii – Pricing differences, the Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. or subsidiaries contributed to the share capital of the Company by Energetický a průmyslový holding, a.s. As these acquired or contributed entities 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). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and disposals of subsidiaries, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

### TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group and translation of the consolidated financial statements to presentation currency.

### REVALUATION RESERVE

For more details on revaluation, refer to Note 2 (e) and Note 4 (a).

### HEDGING RESERVES

The effective portion of fair value changes in derivatives (financial and commodity) designated as cash flow hedges are recognised in equity (for more details please refer to Note 26 – Financial instruments and Note 30 – Risk management policies and disclosure).

During 2023 the Group reclassified EUR 187 million as expense from Hedging reserves to Profit or loss (2022: EUR 456 million as expense).

## 22. Non-controlling interest

31 DECEMBER 2023

In millions of EUR

	eustream a.s.	SPP distribúcia, a.s. and its subsidiaries	Stredoslovenská energetika Holding, a.s. and its subsidiaries (including SSD)
<b>Non-controlling percentage</b>	<b><sup>(6)</sup>51.00%</b>	<b><sup>(6)</sup>51.00%</b>	<b><sup>(6)</sup>51.00%</b>
Business activity	Transmission of gas	Distribution of gas	Distribution of electricity
Country <sup>(1)</sup>	Slovakia	Slovakia	Slovakia
<b>Carrying amount of NCI at 31 December 2023</b>	<b>1,168</b>	<b>1,660</b>	<b>365</b>
<b>Profit (loss) attributable to non-controlling interest for the period</b>	<b>(3)</b>	<b>70</b>	<b>65</b>
<b>Dividends declared</b>	<b>-</b>	<b>-</b>	<b>(39)</b>
<b>Statement of financial position information<sup>(2)</sup></b>			
Total assets	4,335	4,810	1,145
<i>of which: non-current</i>	<i>3,906</i>	<i>4,123</i>	<i>830</i>
<i>current</i>	<i>429</i>	<i>687</i>	<i>315</i>
Total liabilities	2,045	1,555	431
<i>of which: non-current</i>	<i>1,894</i>	<i>1,458</i>	<i>182</i>
<i>current</i>	<i>151</i>	<i>97</i>	<i>249</i>
<b>Net assets</b>	<b>2,290</b>	<b>3,255</b>	<b>714</b>
<b>Statement of comprehensive income information<sup>(2)</sup></b>			
Total revenues	274	531	1,587
<i>of which: dividends received</i>	<i>-</i>	<i>-</i>	<i>-</i>
Profit after tax	(6)	137	129
Total other comprehensive income for the period, net of tax	272	460	-
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>266</b>	<b>597</b>	<b>129</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>125</b>	<b>194</b>	<b>100</b>

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Appendix 1 – Group entities).

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

(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.

(4) Includes financial investments in eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.

(5) Includes dividends from eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS, if any, eliminated in calculation of NCI.

(6) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.

(7) SPP Infrastructure, a.s. declared dividends of EUR 300 million in March 2023 and EUR 271 million in December 2023, of which the unpaid portion to NCI of EUR 139 million is recognised as a dividend payable in Trade payables as of 31 December 2023.

NAFTA a.s. and its subsidiaries	POZAGAS a.s.	Plzeňská teplárenská, a.s.	SPP Infrastructure, a.s. and its subsidiaries <sup>(3)</sup>	Other individually immaterial subsidiaries	Total
<b>31.01%</b>	<b>38.01%</b>	<b><sup>(6)</sup>65.00%</b>	<b><sup>(6)</sup>51.00%</b>		
Gas storage	Gas storage	Production and distribution of heat	Distribution of gas		
Slovakia, Germany	Slovakia	Czech Republic	Slovakia		
<b>163</b>	<b>45</b>	<b>166</b>	<b>(266)</b>	<b>26</b>	<b>3,327</b>
<b>61</b>	<b>13</b>	<b>19</b>	<b>(5)</b>	<b>11</b>	<b>231</b>
<b>(4)</b>	<b>-</b>	<b>(7)</b>	<b><sup>(7)</sup>(291)</b>	<b>-</b>	<b>(341)</b>
829	143	355	5,527		
555	40	253	<sup>(4)</sup> 5,420		
274	103	102	107		
304	26	100	967		
226	19	29	500		
78	7	71	467		
<b>525</b>	<b>117</b>	<b>255</b>	<b>4,560</b>	<b>-</b>	<b>-</b>
414	81	216	295		
23	-	1	<sup>(5)</sup> 279		
219	33	29	269		
-	-	-	-		
<b>219</b>	<b>33</b>	<b>29</b>	<b>269</b>	<b>-</b>	<b>-</b>
<b>(133)</b>	<b>(43)</b>	<b>60</b>	<b>(22)</b>		



## 31 DECEMBER 2022

In millions of EUR

	eustream a.s.	SPP distribúcia, a.s. and its subsidiaries	Stredoslovenská energetika Holding, a.s. and its subsidiaries (including SSD)
<b>Non-controlling percentage</b>	<b><sup>(6)</sup>51.00%</b>	<b><sup>(6)</sup>51.00%</b>	<b><sup>(6)</sup>51.00%</b>
Business activity	Transmission of gas	Distribution of gas	Distribution of electricity
Country <sup>(1)</sup>	Slovakia	Slovakia	Slovakia
<b>Carrying amount of NCI at 31 December 2022</b>	<b>1,032</b>	<b>1,423</b>	<b>339</b>
<b>Profit (loss) attributable to non-controlling interest for the period</b>	<b>86</b>	<b>66</b>	<b>25</b>
<b>Dividends declared</b>	<b>-</b>	<b>-</b>	<b>(75)</b>
<b>Statement of financial position information<sup>(2)</sup></b>			
Total assets	4,431	4,253	1,137
<i>of which: non-current</i>	<i>4,025</i>	<i>3,780</i>	<i>811</i>
<i>current</i>	<i>406</i>	<i>473</i>	<i>326</i>
Total liabilities	2,407	1,461	473
<i>of which: non-current</i>	<i>1,920</i>	<i>1,346</i>	<i>265</i>
<i>current</i>	<i>487</i>	<i>115</i>	<i>208</i>
<b>Net assets</b>	<b>2,024</b>	<b>2,792</b>	<b>664</b>
<b>Statement of comprehensive income information<sup>(2)</sup></b>			
Total revenues	345	498	1,610
<i>of which: dividends received</i>	<i>-</i>	<i>-</i>	<i>-</i>
Profit after tax	168	130	48
Total other comprehensive income for the period, net of tax	142	6	1
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>310</b>	<b>136</b>	<b>49</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>97</b>	<b>164</b>	<b>2</b>

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Appendix 1 – Group entities).

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

(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.

(4) Includes financial investments in eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.

(5) Includes dividends from eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS, if any, eliminated in calculation of NCI.

(6) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements that provide the Group with management control as the shareholder's agreement provides the Group with right and ability to manage subgroups' activities and influence thus their performance and return on the investment.

NAFTA a.s. and its subsidiaries	POZAGAS a.s.	Plzeňská teplárenská, a.s.	SPP Infrastructure, a.s. and its subsidiaries <sup>(3)</sup>	Other individually immaterial subsidiaries	Total
<b>31.01%</b>	<b>38.01%</b>	<b><sup>(6)</sup>65.00%</b>	<b><sup>(6)</sup>51.00%</b>		
Gas storage	Gas storage	Production and distribution of heat	Distribution of gas		
Slovakia, Germany	Slovakia	Czech Republic	Slovakia		
<b>157</b>	<b>45</b>	<b>159</b>	<b>(105)</b>	<b>21</b>	<b>3,071</b>
<b>63</b>	<b>15</b>	<b>22</b>	<b>(2)</b>	<b>10</b>	<b>285</b>
<b>(2)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>(82)</b>
855	159	344	5,545		
553	40	238	<sup>(4)</sup> 5,420		
302	119	106	125		
349	39	99	682		
262	16	29	622		
87	23	70	60		
<b>506</b>	<b>120</b>	<b>245</b>	<b>4,863</b>	<b>-</b>	<b>-</b>
393	82	223	480		
11	-	-	<sup>(5)</sup> 464		
214	40	34	461		
4	-	-	-		
<b>218</b>	<b>40</b>	<b>34</b>	<b>461</b>	<b>-</b>	<b>-</b>
<b>219</b>	<b>66</b>	<b>(38)</b>	<b>36</b>		

## 23. Loans and borrowings

In millions of EUR

	31 December 2023	31 December 2022
Issued notes at amortised costs	3,674	3,875
Loans payable to credit institutions	128	689
Lease liabilities	69	65
<b>Total</b>	<b>3,871</b>	<b>4,629</b>
Total non-current liabilities	3,233	4,530
Total current liabilities	638	99
<b>Total</b>	<b>3,871</b>	<b>4,629</b>

The weighted average interest rate on loans and borrowings (excl. notes) for 2023 was 3.27% (2022: 1.32%).

### ISSUED NOTES AT AMORTISED COSTS

Details about notes issued as at 31 December 2023 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/ premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
EP Infrastructure 2024 notes	547	6	-	26/4/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(1)	30/7/2026	1.698	1.795
EP Infrastructure 2028 notes	500	2	(2)	9/10/2028	2.045	2.117
EP Infrastructure 2031 notes	500	8	(2)	2/3/2031	1.816	1.888
eustream notes	500	4	(2)	25/6/2027	1.625	1.759
SPP Infrastructure Financing notes	500	12	(1)	12/2/2025	2.625	2.685
SPP - distribúcia notes	500	3	(4)	9/6/2031	1.000	1.079
<b>Total</b>	<b>3,647</b>	<b>39</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

In millions of EUR

	Principal	Accrued interest	Unamortised transactions cost/ premium /discounts	Maturity	Interest rate (%)	Effective interest rate (%)
EP Infrastructure 2024 notes	750	9	(1)	26/4/2024	1.659	1.786
EP Infrastructure 2026 notes	600	4	(2)	30/7/2026	1.698	1.795
EP Infrastructure 2028 notes	500	2	(2)	9/10/2028	2.045	2.117
EP Infrastructure 2031 notes	500	8	(3)	2/3/2031	1.816	1.888
eustream notes	500	4	(3)	25/6/2027	1.625	1.759
SPP Infrastructure Financing notes	500	12	(2)	12/2/2025	2.625	2.685
SPP - distribúcia notes	500	3	(4)	9/6/2031	1.000	1.079
<b>Total</b>	<b>3,850</b>	<b>42</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### EP INFRASTRUCTURE NOTES (2024 NOTES)

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

On 11 September 2023, EP Infrastructure, a.s. early redeemed EUR 152 million of its 2024 Notes through a tender offer. Subsequently, an open market repurchases of the 2024 Notes occurred between October and December 2023 amounting to a total of EUR 51 million. All 2024 Notes acquired in 2023 were subsequently canceled.

The 2024 Notes are stated net of debt issue costs of EUR 5 million (at inception). These costs are allocated to the profit and loss account over the term of the 2024 Notes through the effective interest rate of 1.786%.

### EP INFRASTRUCTURE NOTES (2026 NOTES)

On 30 July 2019, EP Infrastructure successfully placed at par its offering of EUR 600 million 1.698% fixed rate unsecured notes due in July 2026 in the denomination of EUR 100,000 each ("2026 Notes"). The 2026 Notes are listed on Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2026 Notes will be redeemed at their principal amount on 30 July 2026.

The 2026 Notes are stated net of debt issue costs of EUR 4 million. These costs are allocated to the profit and loss over the term of the 2026 Notes through the effective interest rate of 1.795%.

## EP INFRASTRUCTURE NOTES (2028 NOTES)

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

The 2028 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2028 Notes through the effective interest rate of 2.117%.

## EP INFRASTRUCTURE NOTES (2031 NOTES)

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

The 2031 Notes are stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss over the term of the 2031 Notes through the effective interest rate of 1.888%.

All EPIF Notes described above contain a covenant limiting certain types of distributions to EPIF's shareholders in certain circumstances. The EPIF Group has to monitor the ratio of total amount of Group's net debt to Group's EBITDA (i.e. net leverage) before certain types of distributions are carried out.

## 2027 EUSTREAM NOTES (2027 NOTES)

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

The 2027 eustream notes are reported net of debt issue costs of EUR 2 million. These costs are allocated to the profit and loss account using effective interest rate of 1.759%.

## SPP INFRASTRUCTURE FINANCING NOTES (2025 NOTES)

On 12 February 2015, SPP Infrastructure Financing B.V. issued notes in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The SPP Infrastructure Financing notes are listed on the Official List of the Irish Stock Exchange and traded on the regulated market of Euronext Dublin. The notes are guaranteed unconditionally and irrevocably by eustream. The maturity of notes is on 12 February 2025.

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

## SPP - DISTRIBÚCIA NOTES (SPPD 2031 NOTES)

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

The SPPD 2031 Notes are stated net of debt issue costs of EUR 2 million. These costs are amortized over the maturity of the notes to the profit and loss account through the effective interest rate of 1.079%.

## OTHER LOANS AND BORROWINGS

## TERMS AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans as at 31 December 2023 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/2023	Due within 1 year	Due in 1-5 years	Due in following years
Unsecured bank loan	EUR	variable*	2024	27	27	-	-
Unsecured bank loan	EUR	variable*	2027	41	12	29	-
Unsecured bank loan	EUR	variable*	2029	60	-	-	60
Liabilities from finance leases	EUR			69	14	46	9
<b>Total interest-bearing liabilities</b>				<b>197</b>	<b>53</b>	<b>75</b>	<b>69</b>

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

Terms and conditions of outstanding loans as at 31 December 2022 were as follows:

In millions of EUR

	Currency	Nominal interest rate	Year of maturity (up to)	Balance at 31/12/2022	Due within 1 year	Due in 1–5 years	Due in following years
Unsecured bank loan	EUR	variable*	2024	70	26	44	–
Unsecured bank loan	EUR	variable*	2025	403	3	400	–
Unsecured bank loan	EUR	variable*	2027	153	12	141	–
Unsecured bank loan	EUR	variable*	2029	60	–	–	60
Unsecured bank loan	EUR	fixed	2023	3	3	–	–
Liabilities from finance leases	EUR			65	14	40	11
<b>Total interest-bearing liabilities</b>				<b>754</b>	<b>58</b>	<b>625</b>	<b>71</b>

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

#### EPIF FACILITIES AGREEMENT

EP Infrastructure, a.s. is a party to a term and revolving facilities agreement dated 14 January 2020 with a group of financing banks (the “EPIF’s Facilities Agreement”), pursuant to which EPIF has been provided with term facility A in the amount of EUR 400 million due 14 January 2025 (which was fully repaid on 5 March 2021) and revolving facility B with a committed limit of EUR 400 million (which was fully repaid during 2023) due 14 January 2025 with no amount outstanding as of 31 December 2023.

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

#### SPPD FINANCE CONTRACT

SPPD is a party to the finance contract with EIB dated 25 September 2018, as amended and/or restated from time to time (“SPPD Finance Contract”). The SPPD Finance Contract is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 60 million due 23 September 2029 (with EUR 60 million outstanding as of as of 31 December 2023) for the financing of the gas distribution networks upgrade project in the Slovak Republic for the period between 2019 and 2022.

#### EUSTREAM FINANCE CONTRACT

Eustream is a party to the finance contract with EIB dated 27 December 2017, as amended and/or restated from time to time (the “Eustream Finance Contract”). The Eustream Finance Contract is Luxembourg law governed and provides for a term loan in the aggregate amount of EUR 65 million due 31 December 2027 (with EUR 41 million outstanding as of 31 December 2023) for the financing of the Poland-Slovak interconnector and modification of the existing compressor station at Velké Kapušany.

#### SSE FINANCE CONTRACT

SSEH, SSE and SSD are parties to the facilities agreement dated 30 June 2022, as amended and/or restated from time to time (the “SSE Finance Contract”) with Slovenská sporiteľňa, a.s., pursuant to which SSEH, SSE and SSD were provided with a revolving facility in the amount of 100 million due 30 June 2027 with no amount outstanding as of 31 December 2023.

#### SSE AND SSD REVOLVING FACILITY

SSE and SSD are each party to the facilities agreement dated 3 January 2023 with Československá obchodná banka, a.s., as amended and/or restated from time to time, pursuant to which SSE and SSD were provided with a revolving, overdraft and bank guarantee/letter of credit facility in the total amount of EUR 50 million each, which becomes due and terminates on 2 January 2025. There was no outstanding amount as of 31 December 2023.

#### FAIR VALUE INFORMATION

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

In millions of EUR

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans payable to credit institutions	128	114	689	668
Issued notes at amortised costs	3,674	3,148	3,875	3,113
Liabilities from financial leases	69	69	65	65
<b>Total</b>	<b>3,871</b>	<b>3,331</b>	<b>4,629</b>	<b>3,846</b>

Issued notes are categorised within Level 1 or 2 of the fair value hierarchy. Bank loans are categorised within Level 2 or 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2 (e) i – Assumption and estimation uncertainties).

#### SIGNIFICANT INVESTING AND FINANCING ACTIVITIES NOT REQUIRING CASH

For the year 2023 and 2022 there were no non-cash financing activities.

# RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

In millions of EUR

	Liabilities			Equity				
	Loans from credit institutions	Issued notes	Finance lease liabilities	Share capital / premium	Reserves	Retained earnings	NCI	Total
<b>Balance as at 1 January 2023</b>	<b>689</b>	<b>3,875</b>	<b>65</b>	<b>3,257</b>	<b>(3,122)</b>	<b>1,369</b>	<b>3,071</b>	<b>9,204</b>
<i>Changes from financing cash flows</i>								
Proceeds from loans and borrowings	-	-	-	-	-	-	-	-
Repayment of loans and borrowings	(555)	-	-	-	-	-	-	(555)
Purchase of own bonds	-	(203)	-	-	-	-	-	(203)
Payment of finance lease liabilities	-	-	(14)	-	-	-	-	(14)
Dividend paid	-	-	-	-	-	-	(202)	(202)
<b>Total change from financing cash flows</b>	<b>(555)</b>	<b>(203)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(202)</b>	<b>(974)</b>
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	-	-
Total effect of changes in foreign exchange rates	(3)	-	2	-	(19)	-	(5)	(25)
<i>Other changes</i>								
<b>Liability related</b>								
Interest expense	4	79	2	-	-	-	-	85
Interest paid	(7)	(77)	(2)	-	-	-	-	(86)
Lease liability (impact of IFRS16)	-	-	16	-	-	-	-	16
<b>Total liability-related other changes</b>	<b>(3)</b>	<b>2</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>487</b>	<b>352</b>	<b>463</b>	<b>1,302</b>
<b>Balance at 31 December 2023</b>	<b>128</b>	<b>3,674</b>	<b>69</b>	<b>3,257</b>	<b>(2,654)</b>	<b>1,721</b>	<b>3,327</b>	<b>9,522</b>

In millions of EUR

	Liabilities			Equity				
	Loans from credit institutions	Issued notes	Finance lease liabilities	Share capital / premium	Reserves	Retained earnings	NCI	Total
<b>Balance as at 31 December 2021</b>	<b>207</b>	<b>3,872</b>	<b>62</b>	<b>2,996</b>	<b>(2,853)</b>	<b>899</b>	<b>2,784</b>	<b>7,967</b>
<i>Effect of change in functional currency</i>	-	-	-	261	(273)	12	-	-
<b>Balance as at 1 January 2022</b>	<b>207</b>	<b>3,872</b>	<b>62</b>	<b>3,257</b>	<b>(3,126)</b>	<b>911</b>	<b>2,784</b>	<b>7,967</b>
<i>Changes from financing cash flows</i>								
Proceeds from loans and borrowings	500	-	-	-	-	-	-	500
Repayment of loans and borrowings	(21)	-	-	-	-	-	-	(21)
Payment of finance lease liabilities	-	-	(12)	-	-	-	-	(12)
Dividend paid	-	-	-	-	-	-	(82)	(82)
<b>Total change from financing cash flows</b>	<b>479</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(82)</b>	<b>385</b>
Changes arising from obtaining or losing of control of subsidiaries	-	-	-	-	-	-	-	-
Total effect of changes in foreign exchange rates	-	-	(2)	-	(14)	-	-	(16)
<i>Other changes</i>								
<b>Liability related</b>								
Interest expense	8	70	2	-	-	-	-	80
Interest paid	(5)	(67)	(2)	-	-	-	-	(74)
Lease liability (impact of IFRS16)	-	-	17	-	-	-	-	17
<b>Total liability-related other changes</b>	<b>3</b>	<b>3</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>
<b>Total equity-related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>458</b>	<b>369</b>	<b>842</b>
<b>Balance at 31 December 2022</b>	<b>689</b>	<b>3,875</b>	<b>65</b>	<b>3,257</b>	<b>(3,122)</b>	<b>1,369</b>	<b>3,071</b>	<b>9,201</b>



## 24. Provisions

In millions of EUR

	Employee benefits	Provision for emission rights	Provision for lawsuits and litigations	Provision for restoration and decommissioning	Other	Total
<b>Balance at 1 January 2023</b>	<b>33</b>	<b>208</b>	<b>1</b>	<b>197</b>	<b>23</b>	<b>462</b>
Provisions made during the period	4	186	4	4	1	199
Provisions used during the period	(2)	(207)	(1)	(2)	(1)	(213)
Provisions released during the period	(1)	(1)	–	(1)	–	(3)
Change in provision recorded in property, plant and equipment	–	–	–	10	–	10
Unwind of discount	1	–	–	5	–	6
Effect of movements in foreign exchange rates	–	(4)	–	(1)	–	(5)
<b>Balance at 31 December 2023</b>	<b>35</b>	<b>182</b>	<b>4</b>	<b>212</b>	<b>23</b>	<b>456</b>
<b>Non-current</b>	<b>34</b>	<b>–</b>	<b>1</b>	<b>205</b>	<b>20</b>	<b>260</b>
<b>Current</b>	<b>1</b>	<b>182</b>	<b>3</b>	<b>7</b>	<b>3</b>	<b>196</b>

In millions of EUR

	Employee benefits	Provision for emission rights	Provision for lawsuits and litigations	Provision for restoration and decommissioning	Other	Total
<b>Balance at 1 January 2022</b>	<b>40</b>	<b>142</b>	<b>1</b>	<b>210</b>	<b>32</b>	<b>425</b>
Provisions made during the period	3	204	–	2	3	212
Provisions used during the period	(2)	(146)	–	(1)	(6)	(155)
Provisions released during the period	(2)	–	–	(3)	(7)	(12)
Change in provision recorded in property, plant and equipment	–	–	–	(10)	–	(10)
Actuarial gains/losses	(6)	–	–	–	–	(6)
Unwind of discount	–	–	–	1	–	1
Effect of movements in foreign exchange rates	–	8	–	(2)	1	7
<b>Balance at 31 December 2022</b>	<b>33</b>	<b>208</b>	<b>1</b>	<b>197</b>	<b>23</b>	<b>462</b>
<b>Non-current</b>	<b>32</b>	<b>–</b>	<b>1</b>	<b>194</b>	<b>22</b>	<b>249</b>
<b>Current</b>	<b>1</b>	<b>208</b>	<b>–</b>	<b>3</b>	<b>1</b>	<b>213</b>

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 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 most significant provisions in the amount of EUR 10 million (2022: EUR 10 million) were recorded by Stredoslovenská energetika Holding and its subsidiaries, EUR 10 million (2022: EUR 9 million) by NAFTA Germany and its subsidiaries, EUR 4 million (2022: EUR 5 million) by SPP – distribúcia, a.s., EUR 4 million (2022: EUR 4 million) by NAFTA a.s and EUR 3 million (2022: EUR 3 million) by eustream, a.s.

#### I. NAFTA GERMANY AND ITS SUBSIDIARIES

Through employer-funded company pension scheme the Group makes a contribution to employees' retirement provision and support them in the event of invalidity or bereavement. The Group pension scheme provides for a personal pension to be paid to each employee of the Group once the waiting period has elapsed. The extent of this company pension depends on the years of service and remuneration paid. In supplementation of the employer-funded pension scheme, employees also have the option of providing for retirement themselves by means of a remuneration conversion, thus additionally securing their standard of living after retirement.

#### II. SSE HOLDING GROUP

##### PENSION PLANS

This program has a defined contribution pension plan under which the Group pays fixed contributions to third parties or government. The Group has no legal or constructive obligation to pay further funds, if the amount of plan assets is insufficient to pay all the performance of employees who are eligible for the current and prior periods.

The amount of benefits depends on several factors, such as age, years of service and salary.

UNFUNDED PENSION PLAN WITH DEFINED BENEFIT

From 2022, the companies within the SSE Holding Group signed individual collective agreements for the period 2023 – 2025, the Companies are obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary.

OTHER BENEFITS

The Companies in the SSE Holding Group also pays benefits for work and life anniversaries. The Companies had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

III. OTHER COMPANIES

The long-term employee benefits program at the Companies (NAFTA, SPPD and eustream) is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement as a multiple of the employee's average salary and, subject to vesting conditions. To date it has been an unfunded program, with no separately allocated assets to cover the program's liabilities. The Companies also pays benefits for work and life anniversaries.

The Companies had created expectations on the part of its employees that it will continue to provide the benefits and it is management's judgement that it is not probable that the Group will cease to provide them.

PROVISION FOR EMISSION RIGHTS

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> 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 RESTORATION AND DECOMMISSIONING

The major part of the provision was primarily recorded by NAFTA a.s. EUR 95 million (2022: EUR 88 million), NAFTA Germany GmbH EUR 87 million (2022: EUR 81 million), POZAGAS a.s. EUR 14 million (2022: EUR 12 million) and SPP Storage, s.r.o. EUR 9 million (2022: EUR 8 million).

NAFTA a.s. and NAFTA Germany GmbH (through its subsidiaries) have a number of production wells and 236 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. Companies have the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law. These costs are expected to be incurred between 2023 and 2093.

The average discount rate applied to calculate present value of the provision was 2.63% (2022: 3.29%) and the average escalation rate was 1.53% (2022: 1,82%).

At the reporting date, a decrease of escalation rate by 1% would reduce the present value of the provisions by EUR 25 million (2022: EUR 28 million), while an increase of 1% would increase the present value of the provisions by EUR 42 million (2022: EUR 37 million).

An increase of discount rate by 1% would reduce the present value of the provisions by EUR 24 million (2022: EUR 28 million), while a decrease of 1% would increase the present value of the provisions by EUR 42 million (2022: EUR 37 million). These analyses assume that all other variables remain constant.

25. Deferred income

In millions of EUR

	31 December 2023	31 December 2022
Government grants	91	88
Other deferred income	18	15
<b>Total</b>	<b>109</b>	<b>103</b>
Non-current	84	83
Current	25	20
<b>Total</b>	<b>109</b>	<b>103</b>

Balance of government grants in amount of EUR 91 million (2022: EUR 88 million) is mainly represented by eustream, a.s. of EUR 54 million (2022: EUR 54 million), Elektrárny Opatovice, a.s. of EUR 13 million (2022: EUR 15 million), EOP Distribuce, a.s. of EUR 5 million (2022: EUR 4 million), Severočeská teplárenská, a.s. of EUR 7 million (2022: EUR 7 million) and Plzeňská teplárenská, a.s. of EUR 3 million (2022: EUR 4 million).

Balance of government grants recognised by eustream are primarily represented by subsidies from the European Commission relating to projects such as interconnection pipelines between Poland and Slovakia or Hungary and Slovakia.

Elektrárny Opatovice, a.s. and EOP Distribuce, a.s. were provided with government grants to reduce emission pollutions. Deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of other deferred income in amount of EUR 18 million (2022: EUR 15 million) consists mainly of deferred income recognized by EP Cargo a.s. in the amount of EUR 8 million (2022: EUR 9 million), which represents compensation raised from a business partner from an unrealized business case. The compensation covers capitalized additional investment costs and expected losses from a previously concluded rent contract. Because the losses from the rent contract occur over duration of the contract and because the capitalized costs are depreciated over time, the compensation is also recognized in revenues over time.

## 26. Financial instruments

### FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS

In millions of EUR

	31 December 2023	31 December 2022
<b>Assets carried at amortized cost</b>		
Loans to other than credit institutions	4	6
<i>of which receivables from related parties</i>	-	-
<b>Total</b>	<b>4</b>	<b>6</b>
<b>Assets carried at fair value</b>		
<b>Hedging: of which</b>	<b>53</b>	<b>115</b>
<i>Commodity derivatives cash flow hedge</i>	51	111
<i>Interest rate swaps cash flow hedge</i>	2	4
<b>Non-hedging: of which</b>	<b>15</b>	<b>88</b>
<i>Interest rate swaps reported as trading</i>	15	84
<i>Currency derivatives reported as trading</i>	-	4
<b>Equity instruments at fair value through OCI: of which</b>	<b>21</b>	<b>18</b>
<i>Shares and interim certificates at fair value through OCI</i>	21	18
<b>Total</b>	<b>89</b>	<b>221</b>
Non-current	26	69
Current	67	158
<b>Total</b>	<b>93</b>	<b>227</b>

### FINANCIAL INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

In millions of EUR

	31 December 2023	31 December 2022
<b>Liabilities carried at fair value</b>		
<b>Hedging: of which</b>	<b>61</b>	<b>618</b>
<i>Commodity derivatives cash flow hedge</i>	60	611
<i>Currency derivatives cash flow hedge</i>	1	7
<b>Non-hedging: of which</b>	<b>-</b>	<b>3</b>
<i>Commodity derivates reported as trading</i>	-	2
<i>Currency derivatives reported as trading</i>	-	1
<b>Total</b>	<b>61</b>	<b>621</b>
Non-current	9	44
Current	52	577
<b>Total</b>	<b>61</b>	<b>621</b>

(1) Commodity derivatives designated as cash flow hedges primarily relate to forwards for sale/purchase of electricity and gas which EP ENERGY TRADING, a.s. used to hedge the cash flows arising from purchase and from sale of electricity and gas, as part of its activities as supplier of electricity and gas to final customers. The effectiveness of the change of fair value of hedging instruments to change of fair value of hypothetical derivative which represent hedged item. Additionally, as of 31 December 2023 eustream a.s. holds certain historical commodity swaps that were originally entered in order to hedge its natural gas selling prices.

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

In millions of EUR

	31 December 2023			
	Notional amount buy	Notional amount sell	Positive fair value	Negative fair value
<b>Hedging: of which</b>	444	(449)	53	(61)
<i>Interest rate swaps cash flow hedge</i>	82	(80)	2	-
<i>Commodity derivatives cash flow hedge</i>	323	(332)	51	(60)
<i>Currency forwards cash flow hedge</i>	39	(37)	-	(1)
<b>Non-hedging: of which</b>	538	(538)	15	-
<i>Interest rate swaps reported as trading</i>	500	(500)	15	-
<i>Commodity derivatives reported as trading</i>	1	(1)	-	-
<i>Currency forwards reported as trading</i>	37	(37)	-	-
<b>Total</b>	<b>982</b>	<b>(987)</b>	<b>68</b>	<b>(61)</b>

In millions of EUR

	31 December 2022			
	Notional amount buy	Notional amount sell	Positive fair value	Negative fair value
<b>Hedging: of which</b>	1,079	(1,311)	115	(618)
Interest rate swaps cash flow hedge	80	(76)	4	-
Commodity derivatives cash flow hedge	799	(1,023)	111	(611)
Currency forwards cash flow hedge	200	(212)	-	(7)
<b>Non-hedging: of which</b>	1,512	(1,510)	88	(3)
Interest rate swaps reported as trading	1,210	(1,210)	84	-
Commodity derivatives reported as trading	5	(6)	-	(2)
Currency forwards reported as trading	274	(272)	3	(1)
Currency swaps reported as trading	23	(22)	1	-
<b>Total</b>	<b>2,591</b>	<b>(2,821)</b>	<b>203</b>	<b>(621)</b>

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 30 – Risk management.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity and gas, which are denominated in CZK and EUR with maturity up and over one year and where the contractual condition of derivatives does not meet the “own use exemption” as noted in IFRS 9.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 30 – Risk management.

#### FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

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

In millions of EUR

	31 December 2023			
	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	53	-	<b>53</b>
Commodity derivatives cash flow hedge	-	51	-	<b>51</b>
Interest rate swaps cash flow hedge		2		<b>2</b>
<b>Non-hedging: of which</b>	-	15	-	<b>15</b>
Interest rate swaps reported as trading	-	15	-	<b>15</b>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	21	<b>21</b>
Shares and interim certificates at fair value through OCI	-	-	21	<b>21</b>
<b>Total</b>	<b>-</b>	<b>68</b>	<b>21</b>	<b>89</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	61	-	<b>61</b>
Commodity derivatives cash flow hedge	-	60	-	<b>60</b>
Currency forwards cash flow hedge	-	1	-	<b>1</b>
<b>Total</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>61</b>

In millions of EUR

	31 December 2022			
	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	115	-	<b>115</b>
Commodity derivatives cash flow hedge	-	111	-	<b>111</b>
Interest rate swaps cash flow hedge		4		<b>4</b>
<b>Non-hedging: of which</b>	-	88	-	<b>88</b>
Interest rate swaps reported as trading		84		<b>84</b>
Currency derivatives reported as trading	-	4	-	<b>4</b>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	18	<b>18</b>
Shares and interim certificates at fair value through OCI	-	-	18	<b>18</b>
<b>Total</b>	<b>-</b>	<b>203</b>	<b>18</b>	<b>221</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	618	-	<b>618</b>
Commodity derivatives cash flow hedge	-	611	-	<b>611</b>
Currency forwards cash flow hedge	-	7	-	<b>7</b>
<b>Non-hedging: of which</b>	-	3	-	<b>3</b>
Commodity derivatives reported as trading	-	2	-	<b>2</b>
Currency forwards reported as trading		1		<b>1</b>
<b>Total</b>	<b>-</b>	<b>621</b>	<b>-</b>	<b>621</b>

There were no transfers between fair value levels in either 2023 or 2022.

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 (d) i – Assumption and estimation uncertainties).

**TRANSACTIONS WITH EMISSION RIGHTS**

The following information pertains to contracts on delivery or sale of emission rights. These contracts do not meet the IFRS 9 criteria for derivatives (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.

**FORWARD OPERATIONS**

As at 31 December 2023 the Group is contractually obliged to forward purchase 1,326,500 pieces (2022: 2,579,000 pieces) of emission rights at an average price 85.35 EUR/piece (2022: 85.17 EUR/piece) with delivery in 2024 and 2025.

**27. Trade payables and other liabilities**

In millions of EUR

	31 December 2023	31 December 2022
Trade payables	266	219
Liabilities from dividends	139*	1
Received guarantees	–	103
Estimated payables	80	69
Payroll liabilities	56	51
Other tax liabilities	30	47
Uninvoiced supplies	17	31
Advance payments received	2	2
Other liabilities	70	70
<b>Total</b>	<b>660</b>	<b>593</b>
<i>Non-current</i>	3	2
<i>Current</i>	657	591
<b>Total</b>	<b>660</b>	<b>593</b>

\* Balance relates to dividend payable in the amount of EUR 139 million declared to SPP, a.s. as a non-controlling shareholder.

Trade payables and other liabilities have not been secured as at 31 December 2023 and 31 December 2022.

As at 31 December 2023 and 2022 the fair value of trade payables and other liabilities equal to its carrying amount.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 30 – Risk management.



## 28. Commitments and contingencies

### OFF BALANCE SHEET LIABILITIES

In millions of EUR

	31 December 2023	31 December 2022
Commitments	740	1,044
Other granted guarantees and warranties	8	32
<b>Total</b>	<b>748</b>	<b>1,076</b>

### COMMITMENTS

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE in amount of EUR 644 million (2022: EUR 1,368 million), where physical delivery of the energy will be realised in future, majority of which in 2024. Further, commitments are represented by contracts for purchase of non-current assets of EUR 18 million (2022: EUR 19 million) recognised by SSD and EUR 8 million (2022: EUR 8 million) recognised by eustream. Remaining EUR 70 million (2022: EUR 48 million) arise from different type of service contracts.

### OFF BALANCE SHEET ASSET

In millions of EUR

	31 December 2023	31 December 2022
Received promises	1,805	1,248
Other received guarantees and warranties	258	234
<b>Total</b>	<b>2,063</b>	<b>1,482</b>

### RECEIVED PROMISES

Received promises mainly comprise loan commitments received by various companies within the Group in amount of EUR 854 million (2022: EUR 398 million). Contracts for the future sale of energy in amount of EUR 951 million (2022: EUR 850 million).

### OTHER RECEIVED GUARANTEES AND WARRANTIES

Other received guarantees and warranties mainly consist of third party parent company guarantees in the amount of EUR 258 million (2022: EUR 193 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and bank guarantees of EUR 0 million (2022: EUR 41 million) recognised by NAFTA a.s.

## 29. Leases

### A LEASES AS A LESSEE

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

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

### RIGHT-OF-USE ASSETS

Right-of-use assets related to leased land and buildings and technical equipment, plant and machinery that do not meet the definition of investment property are presented as property, plant and equipment (refer to Note 16).

In millions of EUR

	Land and building	Technical equipment, plant and machinery	Total
<b>Balance at 1 January 2023</b>	<b>30</b>	<b>33</b>	<b>63</b>
Depreciation charge for the year	(5)	(10)	(15)
Additions to right-of-use assets	4	13	17
Modifications to right-of-use assets	-	1	1
<b>Balance at 31 December 2023</b>	<b>29</b>	<b>37</b>	<b>66</b>
<b>Balance at 1 January 2022</b>	<b>32</b>	<b>28</b>	<b>60</b>
Depreciation charge for the year	(5)	(9)	(14)
Additions to right-of-use assets	3	14	17
Disposals	-	(1)	(1)
Effects of movements in foreign exchange rate	-	1	1
<b>Balance at 31 December 2022</b>	<b>30</b>	<b>33</b>	<b>63</b>

**MATURITY ANALYSIS OF LEASE LIABILITIES**

In millions of EUR

	31 December 2023	31 December 2022
<b>Undiscounted contractual cash flows by maturity</b>		
Up to 3 months	1	1
3 months to 1 year	13	13
1–5 years	46	40
Over 5 years	9	11
<b>Total undiscounted contractual cash flows</b>	<b>69</b>	<b>65</b>
<b>Carrying amount</b>	<b>69</b>	<b>65</b>

**AMOUNTS RECOGNIZED IN PROFIT OR LOSS**

In millions of EUR

	2023	2022
Depreciation charge for the year	(15)	(14)
Interest on lease liabilities	(1)	(2)
Expenses related to short-term leases	(6)	(10)

**AMOUNTS RECOGNIZED IN STATEMENT OF CASH FLOWS**

In millions of EUR

	2023	2022
Total cash outflow for leases	(14)	(12)

**B LEASES AS A LESSOR****OPERATING LEASES**

During the year ended 31 December 2023, EUR 6 million (2022: EUR 7 million) was recognised as income in profit or loss in respect of operating leases.

## 30. Risk management

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risks. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate, commodity price risk, foreign exchange risk and concentration 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 primarily operates as an energy utility in a specific customer structure. The distribution companies represent comparatively low credit risk. Large clients depends heavily on gas and electricity supplies which significantly mitigates credit risks. In addition, bank guarantees and/or advance payments are required before active operation with traders. Past experience indicates that these measures are highly effective in terms of credit risk mitigation. Additionally, customers of distribution and supply subsegments, as well as the Heat Infra segment are required to make prepayments further reducing credit risk.

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

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

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

#### CREDIT RISK BY TYPE OF COUNTERPARTY

##### AS AT 31 DECEMBER 2023

In millions of EUR

	Corporate (non- financial institutions)	State, government	Financial institutions	Banks	Other	Total
<b>Assets</b>						
Cash and cash equivalents	-	-	-	1,695	-	<b>1,695</b>
Restricted cash	-	-	-	2	-	<b>2</b>
Contract assets	75	-	-	-	-	<b>75</b>
Trade receivables and other assets	366	9	-	3	22	<b>400</b>
Financial instruments and other financial assets	75	-	-	18	-	<b>93</b>
<b>Total</b>	<b>516</b>	<b>9</b>	<b>-</b>	<b>1,718</b>	<b>22</b>	<b>2,265</b>

##### AS AT 31 DECEMBER 2022

In millions of EUR

	Corporate (non- financial institutions)	State, government	Financial institutions	Banks	Other	Total
<b>Assets</b>						
Cash and cash equivalents	-	-	-	1,548	-	<b>1,548</b>
Restricted cash	-	-	-	2	-	<b>2</b>
Contract assets	101	-	-	-	-	<b>101</b>
Trade receivables and other assets	679	78	1	5	34	<b>797</b>
Financial instruments and other financial assets	137	-	-	90	-	<b>227</b>
<b>Total</b>	<b>917</b>	<b>78</b>	<b>1</b>	<b>1,645</b>	<b>34</b>	<b>2,675</b>

#### CREDIT RISK BY LOCATION OF DEBTOR

##### AS AT 31 DECEMBER 2023

In millions of EUR

	Slovakia	Czech Republic	United Kingdom	Netherlands	Germany	Hungary	Other	Total
<b>Assets</b>								
Cash and cash equivalents	976	650	-	-	63	-	6	<b>1,695</b>
Restricted cash	-	2	-	-	-	-	-	<b>2</b>
Contract assets	63	12	-	-	-	-	-	<b>75</b>
Trade receivables and other assets	133	156	2	7	8	-	94	<b>400</b>
Financial instruments and other financial assets	4	75	3	3	-	-	8	<b>93</b>
<b>Total</b>	<b>1,176</b>	<b>895</b>	<b>5</b>	<b>10</b>	<b>71</b>	<b>-</b>	<b>108</b>	<b>2,265</b>

##### AS AT 31 DECEMBER 2022

In millions of EUR

	Slovakia	Czech Republic	United Kingdom	Netherlands	Germany	Hungary	Other	Total
<b>Assets</b>								
Cash and cash equivalents	823	656	-	6	44	19	-	<b>1,548</b>
Restricted cash	-	2	-	-	-	-	-	<b>2</b>
Contract assets	55	20	1	-	-	2	23	<b>101</b>
Trade receivables and other assets	228	207	4	-	11	4	343	<b>797</b>
Financial instruments and other financial assets	22	190	8	-	-	-	7	<b>227</b>
<b>Total</b>	<b>1,128</b>	<b>1,075</b>	<b>13</b>	<b>6</b>	<b>55</b>	<b>25</b>	<b>373</b>	<b>2,675</b>

**II. IMPAIRMENT LOSSES**

Loss allowances are measured on either of the following bases:

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

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

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired financial assets (“POCI”). At the date of the initial recognition, the assets is include 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 details see note 3(d).

**CREDIT RISK - IMPAIRMENT OF FINANCIAL ASSETS**

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

In millions of EUR

	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b>Balance at 1 January 2023</b>	<b>(6)</b>	<b>(5)</b>	<b>(31)</b>	<b>-</b>	<b>(42)</b>
Impairment losses recognised during the year	(2)	-	(5)	-	<b>(7)</b>
Reversal of impairment losses recognised during the year	1	-	-	-	<b>1</b>
Write-offs	-	-	1	-	<b>1</b>
Effects of movements in foreign exchange rate	-	-	(1)	-	<b>(1)</b>
<b>Balance at 31 December 2023</b>	<b>(7)</b>	<b>(5)</b>	<b>(36)</b>	<b>-</b>	<b>(48)</b>

In millions of EUR

	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased credit- impaired	Total
<b>Balance at 1 January 2022</b>	<b>(7)</b>	<b>(7)</b>	<b>(31)</b>	<b>-</b>	<b>(45)</b>
Impairment losses recognised during the year	(3)	(1)	(1)	-	<b>(5)</b>
Reversal of impairment losses recognised during the year	5	2	-	-	<b>7</b>
Effects of movements in foreign exchange rate	(1)	1	1	-	<b>1</b>
<b>Balance at 31 December 2022</b>	<b>(6)</b>	<b>(5)</b>	<b>(31)</b>	<b>-</b>	<b>(42)</b>

The most significant changes which contributed to change in the loss allowance during the period was write-off of the financial assets and change in the gross carrying amount of trade receivables.

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2023 and 2022 were as follows:

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
<b>Balance at 1 January 2023</b>	<b>(10)</b>	<b>(1)</b>	<b>(31)</b>	<b>(42)</b>
Impairment losses recognised during the year	(1)	-	(6)	<b>(7)</b>
Reversals of impairment losses recognised during the year	-	-	1	<b>1</b>
Write-offs	-	-	1	<b>1</b>
Effects of movements in foreign exchange rate	-	-	(1)	<b>(1)</b>
<b>Balance at 31 December 2023</b>	<b>(11)</b>	<b>(1)</b>	<b>(36)</b>	<b>(48)</b>

In millions of EUR

	Loans to other than credit institutions	Contract assets	Trade receivables and other assets	Total
<b>Balance at 1 January 2022</b>	<b>(14)</b>	<b>-</b>	<b>(31)</b>	<b>(45)</b>
Impairment losses recognised during the year	(2)	-	(3)	<b>(5)</b>
Reversals of impairment losses recognised during the year	6	-	1	<b>7</b>
Effects of movements in foreign exchange rate	-	(1)	2	<b>1</b>
<b>Balance at 31 December 2022</b>	<b>(10)</b>	<b>(1)</b>	<b>(31)</b>	<b>(42)</b>

**CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS****AS AT 31 DECEMBER 2023**

In millions of EUR

	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	55	3	361	<b>419</b>
After maturity (net)	20	1	39	<b>60</b>
<b>Total</b>	<b>75</b>	<b>4</b>	<b>400</b>	<b>479</b>
A – Assets (gross)				
– before maturity	55	3	365	<b>423</b>
– after maturity <30 days	20	1	36	<b>57</b>
– after maturity 31–180 days	–	11	4	<b>15</b>
– after maturity 181–365 days	–	–	4	<b>4</b>
– after maturity >365 days	1	–	27	<b>28</b>
<b>Total assets (gross)</b>	<b>76</b>	<b>15</b>	<b>436</b>	<b>527</b>
B – Loss allowances for assets				
– before maturity	–	–	(4)	<b>(4)</b>
– after maturity <30 days	–	–	–	<b>–</b>
– after maturity 31–180 days	–	(11)	(1)	<b>(12)</b>
– after maturity 181–365 days	–	–	(4)	<b>(4)</b>
– after maturity >365 days	(1)	–	(27)	<b>(28)</b>
<b>Total loss allowances</b>	<b>(1)</b>	<b>(11)</b>	<b>(36)</b>	<b>(48)</b>
<b>Total assets (net)</b>	<b>75</b>	<b>4</b>	<b>400</b>	<b>479</b>

**AS AT 31 DECEMBER 2022**

In millions of EUR

	Contract assets	Loans to other than credit institutions	Trade receivables and other assets	Total
Before maturity (net)	101	6	783	<b>890</b>
After maturity (net)	–	–	14	<b>14</b>
<b>Total</b>	<b>101</b>	<b>6</b>	<b>797</b>	<b>904</b>
A – Assets (gross)				
– before maturity	101	16	786	<b>903</b>
– after maturity <30 days	–	–	9	<b>9</b>
– after maturity 31–180 days	–	–	5	<b>5</b>
– after maturity 181–365 days	–	–	4	<b>4</b>
– after maturity >365 days	1	–	24	<b>25</b>
<b>Total assets (gross)</b>	<b>102</b>	<b>16</b>	<b>828</b>	<b>946</b>
B – Loss allowances for assets				
– before maturity	–	(10)	(4)	<b>(14)</b>
– after maturity <30 days	–	–	–	<b>–</b>
– after maturity 31–180 days	–	–	(2)	<b>(2)</b>
– after maturity 181–365 days	–	–	(3)	<b>(3)</b>
– after maturity >365 days	(1)	–	(22)	<b>(23)</b>
<b>Total loss allowances</b>	<b>(1)</b>	<b>(10)</b>	<b>(31)</b>	<b>(42)</b>
<b>Total assets (net)</b>	<b>101</b>	<b>6</b>	<b>797</b>	<b>904</b>

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 2023.

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

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



**B LIQUIDITY RISK**

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

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

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

The table below provides an analysis of financial liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest required repayment date is shown while for assets the latest possible repayment date is disclosed. Those 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 2023**

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<sup>(2)</sup> <b>3,871</b>	4,104	2	648	2,344	1,110
Trade payables and other liabilities	<sup>(3)</sup> <b>658</b>	658	633	22	3	–
Financial instruments and financial liabilities	<b>61</b>	61	5	47	9	–
<b>Total</b>	<b>4,590</b>	<b>4,823</b>	<b>640</b>	<b>717</b>	<b>2,356</b>	<b>1,110</b>
<b>Net liquidity risk position<sup>(4)</sup></b>	<b>(2,505)</b>	<b>(2,738)</b>	<b>1,392</b>	<b>(672)</b>	<b>(2,351)</b>	<b>(1,107)</b>

\* Contract liabilities in the amount of EUR 225 million are not shown in the table above as these items are not expected to cause any future cash outflow.

(1) Contractual cash flows disregard discounting to net present value and include potential future interest.

(2) The Group has available committed undrawn term facilities and revolving facilities in the amount of EUR 854 million.

(3) Advances received in the amount of EUR 2 million are excluded from the carrying amount as these items will cause no future cash outflow.

(4) 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 85 million as these items will cause no future cash outflow and equity instruments in amount of EUR 21 million as these items are non-monetary assets.

**AS AT 31 DECEMBER 2022**

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	<sup>(2)</sup> <b>4,629</b>	4,857	9	94	3,140	1,614
Trade payables and other liabilities	<sup>(3)</sup> <b>591</b>	591	557	32	2	–
Financial instruments and financial liabilities	<b>621</b>	621	51	526	44	–
<b>Total</b>	<b>5,841</b>	<b>6,069</b>	<b>617</b>	<b>652</b>	<b>3,186</b>	<b>1,614</b>
<b>Net liquidity risk position<sup>(4)</sup></b>	<b>(3,352)</b>	<b>(3,580)</b>	<b>1,143</b>	<b>(19)</b>	<b>(3,093)</b>	<b>(1,611)</b>

\* Contract liabilities in the amount of EUR 171 million are not shown in the table above as these items are not expected to cause any future cash outflow.

(1) Contractual cash flows disregard discounting to net present value and include potential future interest.

(2) The Group has available committed undrawn term facilities and revolving facilities in the amount of EUR 395 million.

(3) Advances received in the amount of EUR 2 million are excluded from the carrying amount as these items will cause no future cash outflow.

(4) 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 340 million as these items will cause no future cash outflow and equity instruments in amount of EUR 18 million as these items are non-monetary assets.

**C INTEREST RATE RISK**

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

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

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

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2023 is as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
<b>Assets</b>					
Cash and cash equivalents	1,695	-	-	-	<b>1,695</b>
Restricted cash	-	1	-	1	<b>2</b>
Trade receivables and other assets	-	-	-	400	<b>400</b>
Financial instruments and other financial assets <sup>(1)</sup>	16	2	-	75	<b>93</b>
<b>Total</b>	<b>1,711</b>	<b>3</b>	<b>-</b>	<b>476</b>	<b>2,190</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(2)</sup>	727	2,141	1,002	1	<b>3,871</b>
Trade payables and other liabilities	-	-	-	660	<b>660</b>
Financial instruments and financial liabilities <sup>(1)</sup>	-	-	-	61	<b>61</b>
<b>Total</b>	<b>727</b>	<b>2,141</b>	<b>1,002</b>	<b>722</b>	<b>4,592</b>
<b>Net interest rate risk position</b>	<b>984</b>	<b>(2,138)</b>	<b>(1,002)</b>	<b>(246)</b>	<b>(2,402)</b>
Effect of interest rate swaps	500	(300)	(200)	-	-
<b>Net interest rate risk position (incl. IRS)</b>	<b>1,484</b>	<b>(2,438)</b>	<b>(1,202)</b>	<b>(246)</b>	<b>(2,402)</b>

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 26 – Financial instruments.

Interest rate risk exposure as at 31 December 2022 was as follows:

In millions of EUR

	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity (or non-interest bearing)	Total
<b>Assets</b>					
Cash and cash equivalents	1,548	-	-	-	<b>1,548</b>
Restricted cash	2	-	-	-	<b>2</b>
Trade receivables and other assets	-	-	-	797	<b>797</b>
Financial instruments and other financial assets <sup>(1)</sup>	93	3	1	130	<b>227</b>
<b>Total</b>	<b>1,643</b>	<b>3</b>	<b>1</b>	<b>927</b>	<b>2,574</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(2)</sup>	720	2,402	1,506	1	<b>4,629</b>
Trade payables and other liabilities	-	-	-	593	<b>593</b>
Financial instruments and financial liabilities <sup>(1)</sup>	-	1	-	620	<b>621</b>
<b>Total</b>	<b>720</b>	<b>2,403</b>	<b>1,506</b>	<b>1,214</b>	<b>5,843</b>
<b>Net interest rate risk position</b>	<b>923</b>	<b>(2,400)</b>	<b>(1,505)</b>	<b>(287)</b>	<b>(3,269)</b>
Effect of interest rate swaps	1,290	(580)	(710)	-	-
<b>Net interest rate risk position (incl. IRS)</b>	<b>2,213</b>	<b>(2,980)</b>	<b>(2,215)</b>	<b>(287)</b>	<b>(3,269)</b>

(1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

(2) Disregarding agreed interest rate swaps.

Notional amounts of financial instruments are included in Note 26 – Financial instruments.

## SENSITIVITY ANALYSIS

The Group performs stress testing using a standardised interest rate shock, for financial assets and liabilities to be repriced in 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 interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In millions of EUR

	2023 Profit (loss)	2022 Profit (loss)
Decrease in interest rates by 1%	(6)	(19)
Increase in interest rates by 1%	6	19

**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 services that are denominated in currency other than the respective functional currencies of Group entities, primarily EUR.

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

These contracts are also normally agreed with a 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 currency against the foreign 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 individual companies level.

As of 31 December 2023 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured (e.g. Slovak entities holding CZKs). Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	Other	Total
<b>Assets</b>					
Cash and cash equivalents	1	–	7	–	8
Trade receivables and other assets	1	–	85	–	86
Financial instruments and other financial assets	6	–	48	1	55
	<b>8</b>	<b>–</b>	<b>140</b>	<b>1</b>	<b>149</b>
<b>Off balance sheet assets</b>					
Receivables from derivative operations	–	–	56	–	56
	<b>–</b>	<b>–</b>	<b>56</b>	<b>–</b>	<b>56</b>
<b>Liabilities</b>					
Loans and borrowings	–	–	18	–	18
Trade payables and other liabilities	13	–	40	–	53
Financial instruments and financial liabilities	–	–	59	–	59
	<b>13</b>	<b>–</b>	<b>117</b>	<b>–</b>	<b>130</b>
<b>Off balance sheet liabilities</b>					
Payables related to derivative operations	–	–	54	–	54
	<b>–</b>	<b>–</b>	<b>54</b>	<b>–</b>	<b>54</b>
<b>Net FX risk position</b>	<b>(6)</b>	<b>–</b>	<b>22</b>	<b>1</b>	<b>17</b>
Effect of forward exchange contracts	–	–	2	–	2
Effect of cash flow hedge of FX risk <sup>(1)</sup>	–	–	–	–	–
<b>Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)</b>	<b>(6)</b>	<b>–</b>	<b>24</b>	<b>1</b>	<b>19</b>

(1) The amount relates to a cash flow hedge recognized by the Group's entities in its standalone financial statements.

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

As of 31 December 2022 the Group is exposed to foreign exchange risk when financial assets and liabilities are denominated in a currency other than the functional currency in which they are measured. Assets and liabilities denominated in a currency different from the functional currency in which they are measured are presented in the table below:

In millions of EUR

	CZK	USD	EUR	Total
<b>Assets</b>				
Cash and cash equivalents	9	–	205	<b>214</b>
Trade receivables and other assets	1	1	95	<b>97</b>
Financial instruments and other financial assets	3	–	110	<b>113</b>
	<b>13</b>	<b>1</b>	<b>410</b>	<b>424</b>
<b>Off balance sheet assets</b>				
Receivables from derivative operations	–	–	340	<b>340</b>
	–	–	<b>340</b>	<b>340</b>
<b>Liabilities</b>				
Loans and borrowings	–	–	20	<b>20</b>
Trade payables and other liabilities	4	4	46	<b>54</b>
Financial instruments and financial liabilities	–	–	343	<b>343</b>
	<b>4</b>	<b>4</b>	<b>409</b>	<b>417</b>
<b>Off balance sheet liabilities</b>				
Payables related to derivative operations	–	–	345	<b>345</b>
	–	–	<b>345</b>	<b>345</b>
<b>Net FX risk position</b>	<b>9</b>	<b>(3)</b>	<b>1</b>	<b>7</b>
Effect of forward exchange contracts	–	–	<b>(5)</b>	<b>(5)</b>
Effect of cash flow hedge of FX risk <sup>(1)</sup>	–	–	–	–
<b>Net FX risk position (incl. forward exchange contracts and CF hedges on FX risk)</b>	<b>9</b>	<b>(3)</b>	<b>(4)</b>	<b>2</b>

(1) The amount relates to a cash flow hedge recognized by the Group's entities in its stand-alone financial.

Foreign currency denominated intercompany receivables and payables are included in sensitivity analysis for foreign exchange risk. These balances are eliminated in consolidated balance sheet but their effect on profit or loss of their currency revaluation is not fully eliminated. Therefore, the total amounts of exposure to foreign exchange risk do not equal to respective items reported on consolidated balance sheet.

Off-balance sheet assets and liabilities include payables and receivables from forward exchange contracts (refer to Note 26 – *Financial instruments for more details*).

The following significant exchange rates applied during the period:

EUR

	31 December 2023		31 December 2022	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
CZK 1	0.04166	0.04045	0.04071	0.04147

### SENSITIVITY ANALYSIS

A strengthening (weakening) of the currency other than the functional currency in which financial assets and liabilities are measured, as indicated below, against the functional currency at the reporting date would have increased (decreased) net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in millions of EUR

	2023 Profit (loss)	2022 Profit (loss)
EUR (5% strengthening of EUR)	(1)	–

Effect in millions of EUR

	2023 Other comprehensive	2022 Other comprehensive
EUR (5% strengthening of CZK)	–	–

A weakening of the currency other than the functional currency in which financial assets and liabilities are measured at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### E COMMODITY RISK

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

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

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

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

The Group manages the commodity price risks associated with its proprietary trading activities by generally trading on a back-to-back basis, i.e., purchasing from the market where it has a customer in place to purchase the commodity.

Commodity derivatives primarily represents forwards on purchase or sale of electricity and swaps relating to gas which is typically used to hedge the commodity price for eustream's operations, specifically locking the sales prices for surplus of gas-in-kind received from shippers (for more details refer to Note 26 – Financial instruments).

#### SENSITIVITY ANALYSIS

A 5% change in the market price of the natural gas would have impact on the fair value of cash flow hedging derivatives of EUR 4 million (2022: EUR 11 million).

A 5% change in the market price of the electricity would have impact on the fair value of cash flow hedging derivatives of negative EUR 3 million (2022: negative EUR 10 million).

A 5% change in the market price of the electricity would have impact close to zero on the fair value of trading derivatives in 2023 and 2022.

#### F REGULATORY RISK

The Group is exposed to risks resulting from the regulation of electricity and gas industries in the countries in which it undertakes business activities, primarily the Slovak Republic and the Czech Republic. Changes to existing regulations or the adoption of other new regulations may have an adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

The price regulation in the Slovak Republic is carried out by the Slovak Regulatory Office for Network Industries ("RONI") in accordance with Act No. 250/2012 Coll., on Regulation in Network Industries, and the implementing legislation issued by RONI for the current regulatory period started on 1 January 2023 and ending on 31 December 2027.

Electricity industry price regulation is regulated by RONI's Decrees No. 246/2023 Coll. and No. 107/2023 Coll. The maximum price for access to the distribution network and electricity

distribution reflects electricity distribution and electricity transmission, including losses incurred during electricity transmission, and is denominated in euro per unit of electricity distributed to end consumers in the relevant year. Electricity prices for vulnerable customers, including households and small enterprises, are regulated by providing a capped profit margin per MWh.

Slovak law provides for the designation of a supplier of last resort in the electricity sector that must supply electricity to a customer whose original electricity supplier has lost its ability to supply electricity. The supply of electricity by the supplier of last resort is subject to price regulation and the supplier of last resort is designated by RONI on the basis of a tender published by RONI. SSE is currently designated as a supplier of last resort for the area of central Slovak Republic.

Gas price regulation is regulated by RONI's Decrees No. 450/2022 Coll. and No. 451/2022 Coll. The regulated prices for access to the distribution system and gas distribution are charged by the gas DSO to gas suppliers who then pass the prices to their end-customers. Gas prices for vulnerable customers, including households and small enterprises, are regulated by providing a capped profit margin per MWh.

The gas transmission tariffs applicable to Eustream are primarily regulated by Commission Regulation 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas (network code on harmonised tariffs), in combination with national legislation. RONI issued a decision implementing the rules of the network code, setting the reference price methodology including reference prices applicable for entry/exit points with EU Member States. Benchmarking of tariffs is used as the secondary adjustment of the reference prices calculated on the cost base principles.

Under the rules on crisis regulation, the Slovak Government is empowered to implement price regulation which will prevail over the applicable RONI's pricing decisions. For 2024, the Slovak Government adopted (i) Regulation No. 463/2023 Coll. determining the maximum prices for part of regulated electricity and gas supply for selected vulnerable customers, including households and small enterprises and (ii) Regulation No. 472/2023 Coll. determining the amounts of tariffs for final gas and electricity customers. The regulations, among other things, introduced for 2024 price caps on electricity and gas prices for selected vulnerable customers at the level of 2023 prices. They further impose price caps on selected tariffs for the transmission and distribution of electricity and gas to ensure the same level of the regulated component of the electricity and gas prices for all groups of final electricity and gas customers in 2024 as compared to 2023. The regulations also govern the respective compensation mechanisms of suppliers, TSOs and DSOs for the differences accrued, with compensations paid out on monthly basis.

In reaction to the energy crisis, the Czech Government decided to fix the prices of electricity and gas for certain customers. The prices of electricity and gas were capped by Regulation No. 298/2022 Coll. for the entire year 2023 by setting primarily (i) the maximum price which may be charged by a supplier, (ii) categories of customers to whom the maximum prices apply; and (iii) part of the consumption which is covered by the price cap (if applicable to a specific customer group). Prices were capped for the entire period of 2023 at CZK 2,500 per MWh of gas and CZK 5,000 per MWh of electricity, excluding VAT and regulated charges. Where prices at the fixed level did not cover the justified costs of a supplier, the supplier was entitled to reimbursement of the evidenced loss incurred due to the supply of electricity or gas at the fixed price and a reasonable profit. While these price caps no longer apply in 2024, the Government could reintroduce a similar mechanism should the extraordinary market condition reappear.



In late 2022, a windfall tax was introduced as an amendment to Act No. 586/1992 Coll., the Act on Income Tax, targeting companies in the energy and banking sectors with a tax on surplus profits resulting from the energy crisis. The proceeds of the tax are intended to cover the cost of price caps on electricity and gas customers. The tax period is set to be the calendar years 2023 to 2025 and the tax rate is 60% on top of the regular tax rate, i.e., a tax rate of 79% in total is to be applied on the extra profits. The windfall tax in the energy sector covers entities engaged in power generation except for combined heat and power generation where the ratio of produced power and heat does not exceed a coefficient of 4.4, a condition fulfilled by all heating plants operated by EPIF Group. Within the Group, EP Energy Trading and Dobrá Energie are subject to the windfall tax. The effect of the windfall tax arising from renewable generation sources, such as wind and solar, was immaterial during the reported period from the Group perspective.

## G CONCENTRATION RISK

Major part of gas transmission, gas and power distribution and gas storage revenues, which are primarily recognized by SPPI Group and Stredoslovenská distribučná, a.s., are concentrated to a small number of customers. This is caused by the nature of business which has high barriers of entry. At the same time, majority of these revenues is subject to regulation as well as recognized under long-term contracts, often under 'take or pay' schemes which limit the volatility of revenues year-on-year. From the credit risk perspectives, the counterparties are typically high-profile entities which are dependent on the supplied service which naturally limits the present credit risk.

## H CAPITAL MANAGEMENT

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

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

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

In millions of EUR

	31 December 2023	31 December 2022
Proportionate Gross Debt*	2,989	3,677
Less: Proportionate cash and cash equivalents*	1,105	1,143
<b>Proportionate net debt</b>	<b>1,884</b>	<b>2,534</b>
Proportionate EBITDA*	699	866
<b>Proportionate net debt to proportionate EBITDA*</b>	<b>2.70</b>	<b>2.93</b>

\* The terms: Proportionate Gross Debt, Proportionate cash and cash equivalents, Proportionate EBITDA and Proportionate net debt to proportionate EBITDA do not represent any such terms as might be included in any financing documentation of the EPIF Group. Proportionate values are calculated as values reported by individual companies (incl. eliminations and consolidation adjustments) multiplied by effective shareholding of the Company in them.

The Group also monitors its debt to adjusted capital ratio.

In millions of EUR

	31 December 2023	31 December 2022
Total liabilities	7,260	8,392
Less: cash and cash equivalents	1,695	1,548
<b>Net debt</b>	<b>5,565</b>	<b>6,844</b>
Total equity attributable to the equity holders	2,324	1,504
Less: Other capital reserves related to common control transactions	(4,976)	(4,976)
Less: amounts accumulated in equity relating to cash flow hedges	6	(295)
<b>Adjusted capital</b>	<b>7,294</b>	<b>6,775</b>
<b>Debt to adjusted capital</b>	<b>0.76</b>	<b>1.01</b>

## I HEDGE ACCOUNTING

The balance as at 31 December 2023 represents primarily derivative agreements to hedge an interest rate, an electricity price, gas price and a foreign exchange rate and the effect from a cash flow hedge recognised on the EPIF Group level.

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity.

During the period the Group reclassified EUR 187 million (negative impact on profit or loss) including non-controlling interest from hedging reserves to profit or loss (2022: EUR 456 million (negative impact on profit or loss)).

The following table provides a reconciliation of amounts recorded in equity attributable to owners of the Company by category of hedging instrument:

In millions of EUR

	Commodity derivatives – cash flow hedge <sup>(1)</sup>	Interest rate swaps – cash flow hedge	Total
<b>Balance at 1 January 2023</b>	<b>(306)</b>	<b>11</b>	<b>(295)</b>
Effect of change in functional currency	-	-	-
Cash flow hedges reclassified to profit or loss	72	(26)	<b>46</b>
Deferred tax – cash flow hedges reclassified to profit or loss	(15)	5	<b>(10)</b>
Revaluation of cash flow hedges	303	3	<b>306</b>
Deferred tax – cash flow hedges revaluation	(40)	(1)	<b>(41)</b>
<b>Balance at 31 December 2023</b>	<b>14</b>	<b>(8)</b>	<b>6</b>

(1) Including also hedge for foreign currency risk.

In millions of EUR

	Commodity derivatives – cash flow hedge <sup>(1)</sup>	Interest rate swaps – cash flow hedge	Total
<b>Balance at 1 January 2022</b>	<b>(236)</b>	<b>(85)</b>	<b>(321)</b>
Effect of change in functional currency	(1)	(2)	(3)
Cash flow hedges reclassified to profit or loss	18	113	131
Deferred tax – cash flow hedges reclassified to profit or loss	(10)	(21)	(31)
Revaluation of cash flow hedges	(101)	7	(94)
Deferred tax – cash flow hedges revaluation	24	(1)	23
<b>Balance at 31 December 2022</b>	<b>(306)</b>	<b>11</b>	<b>(295)</b>

(1) Including also hedge for foreign currency risk.

#### CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK AND COMMODITY PRICE RISK OF REVENUES OF POWER PRODUCTION WITH FINANCIAL DERIVATIVES

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to or commodities purchased from the third parties. This includes commodity derivatives with net settlement for commodity risk. As a result of the hedge relationship on the Group level, the Group recorded a change in a foreign currency cash flow hedge reserve of positive EUR 199 million (2022: negative EUR 134 million). For risk management policies, refer to Note 30 (d) and (e) – Risk management policies and disclosures.

#### 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 of gas. The hedging instruments are commodity swaps to hedge selling price for entities surplus of gas in-kind. A decline in the prices could result in a decrease in net income and cash flows. 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 121 million (2022: positive EUR 67 million). For risk management policies, refer to Note 30 (d) and (e) – Risk management policies and disclosures.

The following tables provides details of cash flow hedge commodity derivatives gas and power for commodity price risk recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

<b>31 December 2023</b>				
	Positive fair value	Negative fair value	Nominal amount hedged	Nominal amount hedged
Up to 3 months	17	5	78	67
3 months to 1 year	32	46	219	232
1–5 years	2	9	26	33
Over 5 years	–	–	–	–
<b>Total</b>	<b>51</b>	<b>60</b>	<b>323</b>	<b>332</b>

In millions of EUR

<b>31 December 2022</b>				
	Positive fair value	Negative fair value	Nominal amount hedged	Nominal amount hedged
Up to 3 months	1	50	14	14
3 months to 1 year	110	520	771	995
1–5 years	–	41	13	14
Over 5 years	–	–	–	–
<b>Total</b>	<b>111</b>	<b>611</b>	<b>798</b>	<b>1,023</b>

The following tables provides details of cash flow hedge currency derivatives recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

<b>31 December 2023</b>				
	Positive fair value	Negative fair value	Nominal amount hedged	Nominal amount hedged
Up to 3 months	–	–	–	–
3 months to 1 year	–	1	39	37
1–5 years	–	–	–	–
Over 5 years	–	–	–	–
<b>Total</b>	<b>–</b>	<b>1</b>	<b>39</b>	<b>37</b>

In millions of EUR

31 December 2022				
	Positive fair value	Negative fair value	Nominal amount hedged	Nominal amount hedged
Up to 3 months	-	1	14	14
3 months to 1 year	-	4	140	149
1-5 years	-	2	46	49
Over 5 years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>7</b>	<b>200</b>	<b>212</b>

## CASH FLOW HEDGES – HEDGE OF INTEREST RATE RISK

The Group applies hedge accounting for hedging instruments designed to hedge interest rate risk of its debt financing. The hedging instruments are interest rate swaps used in order to hedge risk related to repricing of interest rates on its financing. As a result of the hedge relationship on the Group level, the Group recorded a change in interest rate cash flow hedge reserve of negative EUR 18 million (2022: positive EUR 97 million). For risk management policies, refer to Note 30 (c) – Risk management policies and disclosures.

The following tables provides details of cash flow hedge interest rate swaps recorded by the Group as at 31 December 2023 and 2022:

In millions of EUR

31 December 2023				
	Positive fair value	Negative fair value	Nominal amount hedged	Nominal amount hedged
Up to 3 months	-	-	-	-
3 months to 1 year	2	-	82	80
1-5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>82</b>	<b>80</b>

In millions of EUR

31 December 2022				
	Positive fair value	Negative fair value	Nominal amount hedged	Nominal amount hedged
Up to 3 months	1	-	20	19
3 months to 1 year	3	-	60	57
1-5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>80</b>	<b>76</b>

## 31. Related parties

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

**A THE SUMMARY OF OUTSTANDING BALANCES WITH RELATED PARTIES AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022**

In millions of EUR

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Ultimate shareholder <sup>(1)</sup>	-	-	-	-
Companies controlled by ultimate shareholders	54	70	332	70
Companies under significant influence by ultimate shareholders	-	-	-	-
Associates	-	-	-	-
Other Related party	-	1	-	1
<b>Total</b>	<b>54</b>	<b>71</b>	<b>332</b>	<b>71</b>

(1) Daniel Křetínský represents the ultimate shareholder.

**B THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE PERIOD ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022 WAS AS FOLLOWS**

In millions of EUR

	Revenues	Expenses	Revenues	Expenses
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Ultimate shareholder <sup>(1)</sup>	-	-	-	-
Companies controlled by ultimate shareholders	182	732	335	322
Companies under significant influence by ultimate shareholders	-	-	-	-
Associates	-	-	-	-
Other Related party	1	2	1	2
<b>Total</b>	<b>183</b>	<b>734</b>	<b>336</b>	<b>324</b>

(1) Daniel Křetínský represents the ultimate shareholder.

## TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

For the financial years ended 31 December 2023 and 2022 the EPIF Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Infrastructure, a.s., Stredoslovenská energetika Holding, a.s. and its major subsidiaries, SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, POZAGAS a.s., Elektrárny Opatovice, a.s. and EOP Distribuce, a.s., United Energy, a.s., Plzeňská teplárenská a.s., SPP Storage, s.r.o. and EP ENERGY TRADING, a.s.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

In millions of EUR

	2023	2022
Nr. of personnel	77	69
Compensation, fees and rewards	4	5
Compulsory social security contributions	1	1
<b>Total</b>	<b>5</b>	<b>6</b>

Other remuneration of Group management (management of all components within the Group) is included in Note 10 – Personnel expenses. All transactions were performed under the arm's length principle.

## 32. Subsequent events

In January 2024, eustream, a.s. reduced its revolving credit facility limit by EUR 90 million to EUR 50 million.

In February 2024, NAFTA a.s. concluded a new revolving credit facility up to EUR 200 million with maturity in February 2029. This new facility has not been drawn down.

On 5 March 2024, EPIF has raised EUR 285 million through Schuldschein loan agreements under German law issued in line with EPIF's green principles (so called "green Schuldschein"). The floating rate Schuldschein loan agreements have durations of three and five years. EPIF aims to allocate the proceeds from the Schuldschein loan agreements in accordance with its Green Finance Framework established in August 2023.

On 11 March 2024, EPIF prolonged the maturity of the facility agreement between EPIF, EP Energy, a.s. and a bank, for the amount up to EUR 50 million multicurrency documentary overdraft and revolving facilities agreement originally entered into in 2020, till 30 April 2026.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2023.

## APPENDIX\*:

### Appendix 1 – Group entities

\* Information contained in the appendices form part of the complete set of these consolidated financial statements.

Signature of the authorised representative on 19 March 2024



Daniel Křetínský  
Chairman of the Board of Directors  
of EP Infrastructure, a.s.



Pavel Horský  
Member of the Board of Directors  
of EP Infrastructure, a.s.

Appendix 1 – Group entities

The list of the Group entities as at 31 December 2023 and 31 December 2022 is set out below:

	Country of incorporation	Segment	31 December 2023		31 December 2022		2023	2022
			Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measure-ment met-hood	Measure-ment met-hood
EP Infrastructure, a.s.*	Czech Republic	Holding entities						
EP Energy, a.s.*	Czech Republic	Holding entities	100	Direct	100	Direct	Consoli-dated	Consoli-dated
AISE, s.r.o.	Czech Republic	Other	80	Direct	80	Direct	Consoli-dated	Consoli-dated
PT měření, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
PT Holding Investment B.V. * (1)	Netherlands	Holding entities	–	–	100	Direct	–	At cost
United Energy, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
EVO – Komořany, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
United Energy Moldova, s.r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
United Energy Invest, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Nadační fond pro rozvoj vzdělávání	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
EP ENERGY TRADING, a.s.	Czech Republic	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Dobrá Energie s.r.o.	Czech Republic	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Gazel Energy, a.s.	Czech Republic	Gas and power distribution	100	Direct	–	–	At cost	–
Elektrárny Opatovice, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
V A H O s.r.o.	Czech Republic	Heat infra	100	Direct	100	Direct	At cost	At cost
Farma Lístek, s.r.o.	Czech Republic	Heat infra	100	Direct	100	Direct	At cost	At cost
MR TRUST s.r.o.*	Czech Republic	Other	100	Direct	100	Direct	Consoli-dated	Consoli-dated
ARISUN, s.r.o.	Slovakia	Other	100	Direct	100	Direct	Consoli-dated	Consoli-dated
POWERSUN a.s.	Czech Republic	Other	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Triskata, s.r.o.	Slovakia	Other	100	Direct	100	Direct	Consoli-dated	Consoli-dated

	Country of incorporation	Segment	31 December 2023		31 December 2022		2023	2022
			Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measure-ment met-hood	Measure-ment met-hood
VTE Pchery, s.r.o.	Czech Republic	Other	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Alternative Energy, s.r.o.	Slovakia	Other	99	Direct	90	Direct	Consoli-dated	Consoli-dated
CHIFFON ENTERPRISES LIMITED* (2)	Cyprus	Other	–	–	100	Direct	–	At cost
Severočeská teplárenská, a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
GABIT spol. s r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
EOP Distribuce, a.s.	Czech Republic	Heat infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Stredoslovenská energetika Holding, a.s.	Slovakia	Gas and power distribution	49	Direct	49	Direct	Consoli-dated	Consoli-dated
Kinet s.r.o.	Slovakia	Gas and power distribution	100	Direct	80	Direct	Consoli-dated	Consoli-dated
Kinet Inštal s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Stredoslovenská distribučná, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Elektroenergetické montáže, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SSE – Metrológia s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Stredoslovenská energetika – Project Development, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SSE-Solar, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SPX, s.r.o.	Slovakia	Gas and power distribution	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	Gas and power distribution	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SPV100, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SSE – MVE, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Stredoslovenská energetika, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated



		31 December 2023	31 December 2022	2023	2022			
	Country of incorporation	Segment	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measure-ment met-hood	Measure-ment met-hood
PW geoenery a.s.	Slovakia	Gas and power distribution	51	Direct	51	Direct	Consoli-dated	Consoli-dated
EP ENERGY HR d.o.o.	Croatia	Other	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Patamon a.s.	Czech Republic	Holding entities	100	Direct	100	Direct	At cost	At cost
Plzeňská teplárenská, a.s.	Czech Republic	Heat Infra	35	Direct	35	Direct	Consoli-dated	Consoli-dated
Plzeňská teplárenská SERVIS IN a.s.	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
Plzeňská teplárenská Energetické služby s.r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
PPT POTRUBNÍ TECHNIKA s.r.o. <sup>(3)</sup>	Czech Republic	Heat Infra	–	–	100	Direct	–	At cost
TERMGLOBAL s.r.o. <sup>(3)</sup>	Czech Republic	Heat Infra	–	–	100	Direct	–	At cost
TRAXELL s.r.o.	Czech Republic	Heat Infra	100	Direct	100	Direct	At cost	At cost
EPiF BidCo I s.r.o.	Czech Republic	Holding entities	100	Direct	–	–	At cost	–
Czech Gas Holding Investment B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA a.s.	Slovakia	Gas storage	40.45	Direct	40.45	Direct	Consoli-dated	Consoli-dated
Karotáz a cementace, s.r.o.	Czech Republic	Gas storage	100	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	Gas storage	65	Direct	65	Direct	Consoli-dated	Consoli-dated
NAFTA Services, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
EP Ukraine B.V.	Netherlands	Gas storage	10	Direct	10	Direct	Consoli-dated	Consoli-dated
EP Hungary s.r.o.	Czech Republic	Gas storage	10	Direct	10	Direct	At cost	At cost
HHE Group Ventures Kft	Hungary	Gas storage	50	Direct	50	Direct	At cost	At cost
Slovakian Horizon Energy, s.r.o.	Slovakia	Gas storage	100	Direct	50	Direct	Equity	Equity
NAFTA International B.V. *	Netherlands	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Germany GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Bavaria GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Speicher Management GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated

		31 December 2023	31 December 2022	2023	2022			
	Country of incorporation	Segment	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measure-ment met-hood	Measure-ment met-hood
NAFTA Speicher GmbH&Co. KG	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Speicher Inzenham GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA RV	Ukraine	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
CNG Holdings Netherlands B.V.	Netherlands	Gas storage	100	Direct	100	Direct	At cost	At cost
CNG LLC	Ukraine	Gas storage	100	Direct	100	Direct	At cost	At cost
EPH Gas Holding B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Seattle Holding B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Slovak Gas Holding B.V. *	Netherlands	Holding entities	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SPP Infrastructure, a.s.	Slovakia	Holding entities	49	Direct	49	Direct	Consoli-dated	Consoli-dated
eustream, a.s.	Slovakia	Gas transmi-ssion	100	Direct	100	Direct	Consoli-dated	Consoli-dated
Central European Gas HUB AG	Austria	Gas transmi-ssion	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	Gas transmi-ssion	100	Direct	100	Direct	At cost	At cost
Plynárenská metro- lógia, s.r.o.	Slovakia	Holding entities	100	Direct	100	Direct	At cost	At cost
SPP - distribúcia, a.s.	Slovakia	Gas and power distribution	100	Direct	100	Direct	Consoli-dated	Consoli-dated
SPP - distribúcia Servis, s.r.o.	Slovakia	Gas and power distribution	100	Direct	100	Direct	At cost	At cost
NAFTA a.s.	Slovakia	Gas storage	56.15	Direct	56.15	Direct	Consoli-dated	Consoli-dated
Karotáz a cementace, s.r.o.	Czech Republic	Gas storage	100	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	Gas storage	65	Direct	65	Direct	Consoli-dated	Consoli-dated
NAFTA Services, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
EP Ukraine B.V.	Netherlands	Gas storage	10	Direct	10	Direct	Consoli-dated	Consoli-dated
EP Hungary s.r.o.	Czech Republic	Gas storage	10	Direct	10	Direct	At cost	At cost

			31 December 2023		31 December 2022		2023	2022
	Country of incorporation	Segment	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Measure-ment met-hood	Measure-ment met-hood
HHE Group Ventures Kft.	Hungary	Gas storage	50	Direct	50	Direct	At cost	At cost
Slovakian Horizon Energy, s.r.o.	Slovakia	Gas storage	100	Direct	50	Direct	Equity	Equity
NAFTA International B.V. *	Netherlands	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Germany GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Bavaria GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Speicher Management GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Speicher GmbH&Co. KG	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA Speicher Inzenham GmbH	Germany	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
NAFTA RV	Ukraine	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
CNG Holdings Netherlands B.V.	Netherlands	Gas storage	100	Direct	100	Direct	At cost	At cost
CNG LLC	Ukraine	Gas storage	100	Direct	100	Direct	At cost	At cost
GEOTERM KOŠICE, a.s.	Slovakia	Holding entities	95.82	Direct	95.82	Direct	Consoli-dated	Consoli-dated
SPP Storage, s.r.o.	Czech Republic	Gas storage	100	Direct	100	Direct	Consoli-dated	Consoli-dated
POZAGAS a.s.	Slovakia	Gas storage	35	Direct	35	Direct	Consoli-dated	Consoli-dated
SLOVGEOTERM a.s.	Slovakia	Holding entities	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	Holding entities	0.08	Direct	0.08	Direct	Consoli-dated	Consoli-dated
GALANTATERM spol. s r.o.	Slovakia	Holding entities	0.5	Direct	0.5	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	Holding entities	17.5	Direct	17.5	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	Holding entities	100	Direct	100	Direct	Consoli-dated	Consoli-dated

\* Holding entity  
(1) On 8 June 2023, PT Holding Investment B.V. was deleted from Commercial Register.  
(2) On 23 September 2023, CHIFFON ENTERPRISES LIMITED was deleted from Commercial Register.  
(3) On 1 January 2023, PPT POTRUBNÍ TECHNIKA s.r.o. and TERMGLOBAL s.r.o merged with Plzeňská teplárenská Energetické služby, s.r.o. (successor company).

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



# key pillars

» Our decarbonization strategy is built on several key pillars, including the conversion of lignite heating plants to hydrogen-capable gas-fired units by 2030.

## Independent Auditor's Report to the Statutory Financial Statements

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**Independent Auditor's Report to the Statutory Financial Statements**

Statutory Financial Statements and Notes to the Statutory Financial Statements

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## Financial Statements in Accordance with IFRS and Independent Auditor's Report

as of 31 December 2023

**“THE REPORT BELOW REPRESENTS THE AUDITOR’S REPORT  
THAT RELATES SOLELY AND EXCLUSIVELY TO THE OFFICIAL  
ANNUAL FINANCIAL REPORT PREPARED IN THE XHTML FORMAT.”**

## INDEPENDENT AUDITOR’S REPORT

**TO THE SHAREHOLDERS OF EP INFRASTRUCTURE, A.S.**

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the accompanying financial statements of EP Infrastructure a.s. (hereinafter also the “Company”) prepared on the basis of International Financial Reporting Standards (IFRS® Accounting Standards) as adopted by the European Union, which comprise the statement of financial position as of 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

#### BASIS FOR OPINION

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, 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.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EP Infrastructure a.s. is a holding company that holds equity investments in controlled entities and associates. As of the balance sheet date, these investments in entities are valued at cost and tested for impairment. The valuation depends on assumptions and estimates of future developments, including the impact of the sustainability concept, financial performance of the investments, future of the energy sector in Europe – including the development of the military conflict of Russian Federation in Ukraine and related sanctions – and the use of discounts. These assumptions and estimates are associated with a significant degree of uncertainty and are described in Notes to the financial statements in Note 2g and 6.

In the aforementioned area, our audit procedures included assessment of the valuation method and testing of the measurement of carrying amounts of financial investments through assets impairment models. Our procedures also included inquiries of the management concerning year-to-year changes in the equity investments, assessment of the impact of changes and expected changes in the sustainability concept, potential impact of the military Conflict between Russian Federation in Ukraine and reading management meeting minutes. We evaluated the appropriateness of management’s identification of the Company’s CGUs. We obtained an understanding of the budget preparation and impairment assessment process, including indicators of impairment. We used the work of an internal specialist for the assessment of asset impairment testing models made by the Company’s management, their assumptions and the reliability of these assumptions.

#### 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, consolidated financial statements and auditor’s reports thereon. The Board of Directors is responsible for the other information. As part of our responsibilities related to the audit of the financial statements, we are obliged to express our opinion on the other information.

As stated in Note 1 to the financial statements, the Company does not prepare an annual report, as it intends to include the relevant information in the annual financial report. For this reason, our opinion on the other information is not included in this auditor’s report.

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



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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

INFORMATION REQUIRED BY REGULATION (EU) NO 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

APPOINTMENT OF THE AUDITOR AND THE PERIOD OF ENGAGEMENT

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 5 March 2020 and our uninterrupted engagement has lasted for 4 years.

CONSISTENCE WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

PROVISION OF NON-AUDIT SERVICES

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company, and which have not been disclosed in the financial statements.

In Prague on 19 March 2024

Audit firm:

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

Statutory auditor:

David Batal  
registration no. 2147





# reduce by 60%

» Our net capital expenditures of approximately EUR 0.6 billion in the following years will be driven by our firm commitment to reduce carbon emissions by 60% and phase out lignite as our primary energy source by 2030.

## Statutory Financial Statements and Notes to the Statutory Financial Statements

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**Statutory Financial Statements and Notes to the Statutory Financial Statements**


**SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE  
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION FOR THE YEAR  
ENDED 31 DECEMBER 2023**

Name of the Company: EP Infrastructure, a.s.  
Registered Office: Pařížská 130/26, Josefov, 110 00 Prague 1  
Legal Status: Joint Stock Company  
Corporate ID: 024 13 507

**Components of the Separate Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union:**

Statement of Financial Position  
Statement of Comprehensive Income  
Statement of Changes in Equity  
Statement of Cash Flows  
Notes to the Financial Statements

These separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared on 19 March 2024.

Statutory body of the reporting entity:	Signature:
Daniel Křetínský Chairman of the Board of Directors	
Pavel Horský Member of the Board of Directors	

## Statement of financial position

As at 31 December 2023  
In millions of EUR

	Note	31.12.2023	31.12.2022
<b>Assets</b>			
Equity investments	6	6,999	5,501
Loans at amortised cost	7	67	-
Financial instruments and financial receivables	8	-	47
<b>Total non-current assets</b>		<b>7,066</b>	<b>5,548</b>
Trade receivables and other assets	9	1	2
Loans at amortised cost	7	62	2,030
Financial instruments and financial receivables	8	15	1
Current tax receivable	9	1	-
Cash and cash equivalents	5	461	270
<b>Total current assets</b>		<b>540</b>	<b>2,303</b>
<b>Total assets</b>		<b>7,606</b>	<b>7,851</b>
<b>Equity</b>			
Share capital	10	3,248	3,248
Share premium		9	9
Other capital contributions	10	771	771
Retained earnings		1,007	872
Valuation differences on cash flow hedges	11	29	52
<b>Total equity attributable to equity holders</b>		<b>5,064</b>	<b>4,952</b>
<b>Liabilities</b>			
Loans and borrowings	12	1,594	2,742
Deferred tax liability	18	9	16
<b>Total non-current liabilities</b>		<b>1,603</b>	<b>2,758</b>
Trade payables and other liabilities	14	2	3
Loans and borrowings	12	937	128
Financial instruments and financial liabilities	13	-	1
Current tax liability	14	-	9
<b>Total current liabilities</b>		<b>939</b>	<b>141</b>
<b>Total liabilities</b>		<b>2,542</b>	<b>2,899</b>
<b>Total equity and liabilities</b>		<b>7,606</b>	<b>7,851</b>

# Statement of comprehensive income

For the year ended 31 December 2023

In millions of EUR

	Note	2023	2022
Sales: Services		1	1
<b>Total sales</b>		<b>1</b>	<b>1</b>
Cost of sales: Services		-	-
<b>Total cost of sales</b>		<b>-</b>	<b>-</b>
<b>Subtotal</b>		<b>1</b>	<b>1</b>
Personnel expenses	15	(4)	(4)
Taxes and charges		-	(2)
Other operating income	20	-	4
Other operating expenses	20	(4)	(5)
<b>Profit (loss) from operations</b>		<b>(7)</b>	<b>(6)</b>
Dividend income	16	86	38
Interest income under the effective interest method	16	75	45
Interest expense	16	(48)	(50)
Foreign currency differences	16	4	27
Profit (loss) from derivative instruments	16	5	25
Change in allowance for financial instruments	16	25	(3)
Other finance expense	16	(1,461)	(2)
Other finance income	16	1,457	-
<b>Net finance income</b>		<b>143</b>	<b>80</b>
<b>Profit (loss) before income tax</b>		<b>136</b>	<b>74</b>
Income tax	17	(1)	(11)
<b>Profit (loss) from continuing operations</b>		<b>135</b>	<b>63</b>
<b>Profit (loss) for the year</b>		<b>135</b>	<b>63</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash-flow hedges, net of tax	17	(23)	88
<b>Other comprehensive income for the year</b>		<b>(23)</b>	<b>88</b>
<b>Total comprehensive income for the year</b>		<b>112</b>	<b>151</b>

# Statement of changes in equity

In millions of EUR

	Share capital	Share premium	Other capital contributions	Foreign currency translation reserve	Retained earnings	Valuation differences on cash flow hedges	Total equity
<b>Balance at 31 December 2021</b>	<b>2,988</b>	<b>8</b>	<b>696</b>	<b>421</b>	<b>724</b>	<b>(36)</b>	<b>4,801</b>
<i>Comprehensive income for the period</i>							
Profit for the period	-	-	-	-	<b>63</b>	-	<b>63</b>
<i>Other comprehensive income for the period</i>							
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	88	<b>88</b>
Foreign currency translation differences	260	1	75	(421)	85	-	-
<b>Total comprehensive income for the period</b>	<b>260</b>	<b>1</b>	<b>75</b>	<b>(421)</b>	<b>148</b>	<b>88</b>	<b>151</b>
<i>Contributions by and distributions to owners</i>							
Dividends to equity holders	-	-	-	-	-	-	-
<b>Balance as at 31 December 2022</b>	<b>3,248</b>	<b>9</b>	<b>771</b>	<b>-</b>	<b>872</b>	<b>52</b>	<b>4,952</b>
<i>Comprehensive income for the period</i>							
Profit for the period	-	-	-	-	<b>135</b>	-	<b>135</b>
<i>Other comprehensive income for the period</i>							
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	(23)	<b>(23)</b>
<b>Total comprehensive income for the period</b>					<b>135</b>	<b>(23)</b>	<b>112</b>
<i>Contributions by and distributions to owners</i>							
Dividends to equity holders	-	-	-	-	-	-	-
<b>Balance as at 31 December 2023</b>	<b>3,248</b>	<b>9</b>	<b>771</b>	<b>-</b>	<b>1,007</b>	<b>29</b>	<b>5,064</b>

# Cash flow statement

For the year ended 31 December 2023  
In millions of EUR

	Note	2023	2022
<b>OPERATING ACTIVITIES</b>			
Profit for the year		135	63
Adjustments for:			
Income tax	17	1	11
Depreciation and amortisation		-	-
Change in provisions		-	(2)
Change in adjustments for financial instruments and write-off of receivables	16	(25)	3
Interest income and expense	16	(27)	5
Other finance (income)/expenses	16	4	2
Dividend income	16	(86)	(38)
(Profit)/loss on derivative instruments	16	(8)	(25)
Foreign exchange (gains)/losses, net		(4)	(27)
<b>Operating profit before changes in working capital</b>		<b>(10)</b>	<b>(8)</b>
Change in trade receivables and other assets		1	-
Change in trade payables and other liabilities		(1)	1
Change in inventories		-	1
<b>Cash generated from (used in) operations</b>		<b>(10)</b>	<b>(6)</b>
Interest paid	5	(51)	(45)
Income taxes paid		(13)	-
<b>Cash flows generated from (used in) operating activities</b>		<b>(74)</b>	<b>(51)</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received		86	38
Settlement flows of financial instruments		-	-
Loans to related parties		(67)	(403)
Interest received		159	-
Repayments from related parties		691	256
<b>Cash flows from (used in) investing activities</b>		<b>869</b>	<b>(109)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans received	5	-	400
Repayment of borrowings	5	(400)	-
Proceeds from debentures issued	5	-	-
Debentures purchased	5	(199)	-
Finance fees, charges paid		(8)	(1)
Dividends paid	5	-	-
<b>Cash flows from (used in) financing activities</b>		<b>(607)</b>	<b>399</b>
Net increase (decrease) in cash and cash equivalents		188	240
<b>Cash and cash equivalents at beginning of the year</b>		<b>270</b>	<b>29</b>
Effect of exchange rate fluctuations on cash held		3	1
<b>Cash and cash equivalents at end of the year</b>		<b>461</b>	<b>270</b>

# Notes to financial statements

## 1. Background

EP Infrastructure, a.s. (the “Company” or “EPIF”) was registered on 6 December 2013 by subscription of share capital in form of a monetary contribution of CZK 2 million.

The Company’s main activity is the management of its own assets. The primary mission of the Company is the strategic management and development of companies directly or indirectly controlled by the Company, coordination of their activities, and management, acquisition and disposing of the Company’s ownership interests and other assets.

The financial year is identical with the calendar year. The financial statements were prepared for the period from 1 January 2023 to 31 December 2023 (“2023”). The comparable period (“2022”) is the financial year from 1 January 2022 to 31 December 2022.

### REGISTERED OFFICE

Pařížská 130/26  
Josefov  
110 00 Praha 1  
Czech Republic

### THE SHAREHOLDERS OF THE COMPANY AS AT 31 DECEMBER 2023 WERE:

	Interest in share capital		Voting rights
	In millions EUR	%	%
EPIF Investments a.s.	2,241	69%	69%
CEI INVESTMENTS S.à r.l.	1,007	31%	31%
<b>Total</b>	<b>3,248</b>	<b>100%</b>	<b>100%</b>

### THE SHAREHOLDERS OF THE COMPANY AS AT 31 DECEMBER 2022 WERE:

	Interest in share capital		Voting rights
	In thousands EUR	%	%
EPIF Investments a.s.	2,241	69%	69%
CEI INVESTMENTS S.à r.l.	1,007	31%	31%
<b>Total</b>	<b>3,248</b>	<b>100%</b>	<b>100%</b>



THE SHAREHOLDERS OF ENERGETICKÝ A PRŮMYSL OVÝ HOLDING, A.S., THE 100% OWNER OF EPIF INVESTMENTS A.S. AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022 WERE:

	Interest in share capital	Voting rights
	%	%
EP Corporate Group, a.s.	56% + 1 share	56% + 1 share
J&T ENERGY HOLDING, a.s.	44% - 1 share	44% - 1 share
Total	100%	100%

The consolidated financial statements of the widest group of entities for 2023 will be prepared by EP Investment S.à r.l. with its registered office at 2 Place de Paris, 2314 Luxembourg.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS® Accounting Standards) adopted by the European Union (“EU”). The Czech version of the consolidated financial statements along with the standalone financial statements will form the annual financial report, which will be published in the Commercial Register.

MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS AT 31 DECEMBER 2023 WERE:

MEMBERS OF THE BOARD OF DIRECTORS	MEMBERS OF THE SUPERVISORY BOARD
Daniel Křetínský (chairman)	Jan Špringl (chairman)
Stephan Brimont (vice-chairman)	Martin Gebauer (vice-chairman)
Gary Wheatley Mazzotti (vice-chairman)	Petr Sekanina (member)
Marek Spurný (member)	Jiří Feist (member)
Pavel Horský (member)	Jan Stříteský (member)
Milan Jalový (member)	Rosa Maria Villalobos Rodriguez (member)
William David George Price (member)	

CHANGES AND AMENDMENTS MADE TO THE REGISTER OF COMPANIES IN THE REPORTING PERIOD

In the reporting period, following members were re-elected: vice-chairman of the Board of Directors Gary Wheatley Mazzotti, board member William David George Price and vice-chairman of the Supervisory Board Martin Gebauer.

2. Basis of preparation

A STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS Accounting Standards adopted by the European Union (“IFRS”).

The financial statements were approved by the Board of Directors of the Company on 19 March 2024. These financial statements are non-consolidated.

B VALUATION METHOD

The 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.

The Company has been consistently applying the following accounting policies to all periods presented in these financial statements.

C FUNCTIONAL AND PRESENTATION CURRENCY

The Company’s functional and presentation currency is the Euro (“EUR”).

D USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgement in the process of applying the Company’s accounting policies. The resulting accounting estimates, by definition, will not always be equal to the actual related values.

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 the current period as well as future periods).

**I. ASSUMPTION 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:

- Note 8 – Financial instruments and financial receivables
- Note 13 – Financial instruments and financial liabilities

**DETERMINATION OF FAIR VALUES**

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

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

The valuation team regularly reviews significant market 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. The evidence has to 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 Company uses market observable inputs to the fullest extent 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 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 levels of the fair value hierarchy, then the fair value measurement as a whole is categorised in the same level of the fair value hierarchy as the lowest level input that is significant in relation to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**E SEGMENT REPORTING**

The Company's activities represent one segment, i.e. holding of ownership interests and related activities. Most income is financial income and is described in detail in note 16 to these financial statements. An insignificant part of the Company's revenues is represented by revenues from services provided in the Czech Republic to companies belonging to Energetický a průmyslový holding, a.s. (the "EPH Group").

**F RECENTLY ISSUED ACCOUNTING STANDARDS****I. NEWLY ADOPTED IFRS STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2023 THAT HAVE BEEN APPLIED IN THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS**

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

**AMENDMENT TO IAS 12 – INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES**

The amendment introduces a temporary exception from the recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar Two income taxes. Entities do not recognise deferred tax assets and liabilities related to Pillar Two and no related disclosures are required for those deferred taxes. In the period(s) when Pillar Two income tax legislation is enacted or substantively enacted but not yet effective, entities shall disclose known or reasonably estimable information that enables users of the financial statements to understand the entity's exposure to Pillar Two income taxes. The amendment is effective immediately and the disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023.

The amendment affects disclosures in the notes to the Company's financial statements. Details are presented in Note 17 – Income tax expenses.

**NEWLY ADOPTED IFRS ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT DO NOT HAVE A MATERIAL IMPACT ON THE COMPANY'S FINANCIAL STATEMENTS:**

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

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Standalone Transaction.

## II. IFRS ACCOUNTING STANDARDS NOT YET EFFECTIVE

As of the date of approval of these financial statements, the following significant amendments to IFRS accounting standards and interpretations had been issued, however, they have not yet been effective for the period ended 31 December 2023 and the Company has not applied them:

### AMENDMENT TO IAS 1 – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND NON-CURRENT LIABILITIES WITH COVENANTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024 (NOT YET ENDORSED BY THE EU))

The amendment 'Classification of Liabilities as Current or Non-Current' clarifies the classification of debts and other liabilities as current or non-current and defines how to determine whether debts and other liabilities in the statement of financial position with an uncertain settlement date are classified as current (due or repayable within one year) or non-current. The amendment specifies the classification requirements for debt instruments that the Company can settle by capitalisation.

The amendment 'Non-Current Liabilities with Covenants' clarifies the information an entity provides when its right to defer settlement of a liability for at least twelve months is a subject to covenants.

The Company is currently examining the impact of the amendments on the financial statements.

### AMENDMENTS TO IFRS 16 – LEASE LIABILITY IN A SALE AND LEASEBACK (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024)

The amendments clarify how a seller-lessee subsequently puts a value on transactions of sales and leasebacks to meet the requirements of IFRS 15 for being accounted for as sales. The seller-lessee subsequently measures the lease liability 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 Company is currently examining the impact of the amendments on the financial statements.

### AMENDMENT TO IAS 7 AND IFRS 7 – SUPPLIER FINANCE ARRANGEMENTS (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024 (NOT YET ENDORSED BY THE EU))

The amendments require companies to provide additional disclosures about their supplier financing arrangements to enable users of the financial statements to assess the impact of those arrangements on the entity's liabilities and cash flows and exposure to liquidity risk.

The Company is currently examining the impact of the amendments on the financial statements.

### AMENDMENTS TO IAS 21 – LACK OF EXCHANGEABILITY (EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2025 (NOT YET ENDORSED BY THE EU))

The amendments require entities to apply a consistent approach for assessing whether a currency is convertible into another currency. If the currency is not convertible, the amendment specifies a method for estimating the exchange rate and defines disclosure requirements.

The Company is currently examining the impact of the amendments on the financial statements.

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

## G GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis, which the Company regularly evaluates, also in light of the ongoing military conflict in Ukraine. The Company's management has also assessed potential impact of this situation on its operations and business and has concluded that it does not currently have a material impact on these financial statements or on the going concern assumption in 2024. However, further negative developments of this situation cannot be ruled out which could subsequently have a material negative impact on the Company, its business, financial position, results of operations, cash flows and overall outlook.

### 3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods as presented in these financial statements.

#### A 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.

#### B EQUITY INVESTMENTS

As required by IAS 27, the Company has applied measurement at cost for investments in subsidiaries, associates, and jointly controlled entities. In accordance with IFRS 9, cost is increased by a possible discount on provided interest-free loans. Equity investments are tested for impairment yearly (see Note 3 (d)).

#### C NON-DERIVATIVE FINANCIAL ASSETS

##### I. CLASSIFICATION

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income – debt instrument (FVOCI), fair value through other comprehensive income – equity instrument or fair value through profit, or loss (FVTPL).

The classification of financial asset is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI test”).

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments (except equity investments as described in Note 3 (b)), that would otherwise be measured at fair value through profit or loss (as described below) and that are not held for trading, to present subsequent changes in fair value in other comprehensive income.

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

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

The Company may, at initial recognition, irrevocably designate a financial asset, which would be measured at amortised cost or at fair value through other comprehensive income (“FVOCI”), as measured at fair value through profit or loss. This applies 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 Company 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 value*.

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 fair value through other comprehensive income (FVOCI) are subsequently measured at fair value. Interest income calculated using the 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 fair value through other comprehensive income (FVOCI) are subsequently measured at fair value. Dividends are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

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

#### IV. DE-RECOGNITION

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 Company 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 Company has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

### D IMPAIRMENT

#### I. NON-FINANCIAL ASSETS

The carrying amounts of the Company's assets, except for deferred tax assets, (refer to Note 4 (a) – Income taxes) are reviewed at each reporting date to determine any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least once every 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.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent from the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

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 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.

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

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

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

The Company 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 Company has elected to measure loss allowances at an amount equal to lifetime ECLs in simplified mode.

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 of 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, a financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III if the financial asset has been credit-impaired.

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

- 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 but less than 90 days, and the delay does not indicate an increase in counterparty credit risk, the individual approach shall be used, and the financial asset shall be classified in Stage I); or



- (b) the Company negotiates debt restructuring with a debtor in financial difficulties (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 have occurred which require individual assessment (e.g., development of external ratings of sovereign credit risk).

At each reporting date, the Company assesses whether financial assets carried at amortised cost and investments to equity 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 Company 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, whose 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 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 such proceedings 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 (which is not a relevant condition in the ECL model for intra-group loans and receivables); or
- (e) other material events have occurred which require individual assessment (e.g. development of external ratings of sovereign credit risk).

For the purposes of ECL calculation, the Company 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 future projected macroeconomic factor which has a significant impact on the development of credit losses. ECLs are present values of probability-weighted estimate of credit losses. The Company considers mainly expected gross domestic product growth, 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 and the year-on-year change is recognised in the income statement. For debt securities at FVOCI, the loss allowance is recognised in OCI.

### E NON-DERIVATIVE FINANCIAL LIABILITIES

The Company has the following non-derivative financial liabilities:

- loans and borrowings, debt security issues, 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 or loss. Attributable transaction costs relating to financial assets measured at fair value through profit or loss 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 value*.

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

### F DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Company holds derivative financial instruments to hedge its interest rate risk exposure.

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 are accounted for as described below.

#### TRADING DERIVATIVES

When a derivative financial instrument 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 (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.

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

#### CASH FLOW HEDGES AND FAIR VALUE HEDGES

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

Hedging instruments consisting of derivatives associated with currency or interest rate risks are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Company maintains formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. The Company 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 intended transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss. In case the future intended transaction is still expected to occur then the balance remains in equity and is transferred to profit or loss when the hedged transaction affects 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.

## **G PROVISIONS**

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, when (i) it is probable that an outflow of economic benefits will be required to settle the obligation and when (ii) 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).

## **H SALES**

### **SALES OF SERVICES**

The Company applies IFRS 15 to recognise sales from contracts with customers.

Sales of services are recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No sales are recognised if there are significant uncertainties regarding the recovery of the consideration due and the associated costs.

## **I 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, gains recognised on financial assets 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.

### **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, cost of operating the cash pool, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

## **J DIVIDENDS**

Dividends are recognised within other comprehensive income as of the date when the Company's right to receive the relevant income was established. Received shares on profit are recognised in current profit or loss, i.e. in the period when the payment of the profit share was declared.

## 4. Determination of fair values

A number of the Company'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 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 items recognised directly in equity or in other comprehensive income.

Current tax consists of estimated income tax (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 affects neither accounting nor taxable profit or loss, and
- temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not be reversed in the foreseeable future.

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 and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the unused tax losses or temporary differences will be realised.

### B NON-DERIVATIVE FINANCIAL ASSETS

The fair value of financial assets at fair value through profit or loss, debt and equity instruments at fair value through other comprehensive income and financial assets at amortised 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 the management of the Company, using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the best estimates of the management of the Company 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 held at amortised cost is determined for disclosure purposes only.

### C 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.

### D DERIVATIVES

The fair value of interest rate swaps is based on internal measurements arising from market prices. Those quotes 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 (currency) is estimated by discounting the difference between the forward values and the current values till maturity of the contract using a risk-free interest rate (based on zero-coupon rates).

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

## 5. Cash and cash equivalents

In millions of EUR

	31 December 2023	31 December 2022
Cash on hand	-	-
Current accounts with banks	386	270
Credit notes	75	-
<b>Total cash and cash equivalents</b>	<b>461</b>	<b>270</b>

Reconciliation of movement of liabilities and cash flows arising from financing activities:

	Loans from credit institutions	Loans from other than credit institutions	Issued debentures	Retained earnings	Total liabilities and retained earnings
<b>Balance as at 31 December 2022</b>	<b>403</b>	<b>103</b>	<b>2,364</b>	<b>872</b>	<b>3,743</b>
<i>Changes from financing cash flows</i>					
Received loans and borrowings and issued debentures	-	267	-	-	267
Repayment of borrowings and purchase of debentures	(400)	-	(199)	-	(599)
Interest paid	(6)	(2)	(43)	-	(51)
Dividends paid	-	-	-	-	-
<b>Total change from financing cash flows</b>	<b>(406)</b>	<b>265</b>	<b>(242)</b>	<b>-</b>	<b>(383)</b>
<i>Other liability changes</i>					
Transaction costs related to loans and borrowings (net)	-	-	-	-	-
Interest expense	3	2	43	-	48
Profit from the purchase of debentures	-	-	(4)	-	(4)
<b>Total liability-related other changes</b>	<b>3</b>	<b>2</b>	<b>39</b>	<b>-</b>	<b>44</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135</b>	<b>135</b>
<b>Balance at 31 December 2023</b>	<b>-</b>	<b>370</b>	<b>2,161</b>	<b>1,007</b>	<b>3,539</b>

	Loans from credit institutions	Loans from other than credit institutions	Issued debentures	Retained earnings	Total liabilities and retained earnings
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>2,363</b>	<b>724</b>	<b>3,087</b>
<i>Changes from financing cash flows</i>					
Received loans and borrowings and issued debentures	400	-	-	-	400
Repayment of borrowings and debentures	-	(115)	-	-	(115)
Interest paid	(3)	-	(42)	-	(45)
Dividends paid	-	-	-	-	-
<b>Total change from financing cash flows</b>	<b>397</b>	<b>(115)</b>	<b>(42)</b>	<b>-</b>	<b>240</b>
<b>Effect of changes in functional currency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>85</b>
<i>Other liability changes</i>					
Transaction costs related to loans and borrowings (net)	-	-	2	-	2
Interest expense	6	2	42	-	50
Offset of a loan against a receivable from a loan granted	-	216	-	-	216
<b>Total liability-related other changes</b>	<b>6</b>	<b>218</b>	<b>44</b>	<b>-</b>	<b>268</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>63</b>
<b>Balance at 31 December 2022</b>	<b>403</b>	<b>103</b>	<b>2,365</b>	<b>872</b>	<b>3,743</b>

## 6. Equity investments

Company name	Total profit (+) loss (-) for the period 01/1/2023– 31/12/2023	Equity at 31/12/2023	Net value of equity investment at 31/12/2023	Net value of equity investment at 31/12/2022
	(in thousands of CZK/EUR)	(in thousands of CZK/EUR)	(in millions of EUR)	(in millions of EUR)
EP Energy, a.s. (“EPE”)*	CZK 1,894,365	CZK 32,572,309	1,414	1,414
Czech Gas Holding Investment B.V. (“CGHI”)*	EUR 81,506	EUR 156,009	387	387
EPH Gas holding B. V. (“EPHGH”)*	EUR (24,423)	EUR 1,846,943	5,131	3,633
Plzeňská teplárenská, a.s. (“PLTEP”)	CZK 651,024	CZK 5,981,327	67	67
EPiF BidCo I s.r.o. (“EPiFBC”)*	CZK (37)	CZK 14	–	–
<b>Total equity investments</b>			<b>6,999</b>	<b>5,501</b>

\* Data from unaudited financial statements as at 31 December 2023.

All equity investments are fully owned by the Company, with the exception of PLTEP (35% with managerial control).

In accordance with the accounting policy described in 3(b) Equity investments, the value of the equity investments was tested for impairment. The Company monitors the financial performance of its subsidiaries on a regular basis and evaluates scenarios for the performance of key subsidiaries. For the purpose of preparing the financial statements, the Company has evaluated scenarios of possible future developments based primarily on the utilisation of the respective gas transmission networks, on the development of the regulatory environment and gas and electricity consumption in Slovakia on the overall demand for the provision of transportation capacity and gas storage services in the region and on the development of heat and electricity consumption and prices, which may have an impact on the value of the equity investments. The Company has used various scenarios of future developments, including pessimistic options arising from the uncertainties described in Note 2(g). The continuation of the assumed level of Russian gas flow or capacity payments from the Russian shipper is an important assumption for the asset value tests. However, future developments cannot be reliably predicted and therefore the need for adjustments to the values of the equity investments in future periods cannot be excluded. As part of the impairment testing performed, the Company did not identify any impairment of its equity investments as of 31 December 2023 that would require a valuation adjustment in the financial statements under applicable accounting regulations.

As at 31 December 2023, the registered offices of the companies were as follows:

EP Energy, a.s.	Pařížská 130/26, Josefov, 110 00 Prague 1, Czech Republic
Czech Gas Holding Investment B.V.	Schiphol Boulevard 477 Tower C4, 1118 BK Schiphol, Netherlands
EPH Gas holding B. V.	Schiphol Boulevard 477 Tower C4, 1118 BK Schiphol, Netherlands

Plzeňská teplárenská, a.s.	Doubravecká 2760/1, Východní Předměstí, 301 00 Plzeň, Czech Republic
EPIF BidCo I s.r.o.	Pařížská 130/26, Josefov, 110 00 Prague, Czech Republic

**IN 2023, THERE WERE THE FOLLOWING CHANGES IN THE NON-CURRENT FINANCIAL ASSETS:**

On 26 June 2023, the Company acquired 100% equity investment in EPIFBC.

In line with the accounting policy discussed in Note 3b), the value of an investment in EPHGH was increased by the discount from the provision of an interest-free loan in 2023.

On 31 December 2023, the Company voluntarily contributed EUR 1,463 million into the equity of EPHGH in excess of share capital of EPHGH. On the same date, the corresponding liability of the Company was fully set-off against its receivable from the previously granted loan in the corresponding amount, refer also to Note 7 Loans at amortised cost.

## 7. Loans at amortised cost

In millions of EUR

	31 December 2023	31 December 2022
<i>Loans to other than credit institutions:</i>		
EPH Gas Holding B. V. ("EPHGH")	-	718
Slovak Gas Holding B.V. ("SGH")	-	845
EP Energy, a.s. ("EPE")	-	78
Elektrárny Opatovice ("EOP")	69	-
<i>Cash pool receivables:</i>		
Subsidiaries and related entities	60	389
<b>Total</b>	<b>129</b>	<b>2,030</b>
<i>Non-current</i>	67	-
<i>Current</i>	62	2,030
<b>Total</b>	<b>129</b>	<b>2,030</b>

Relevant accounting policy for impairment arising from expected losses is described in Note 3d).

On 30 June 2023, the principal and accrued interest on the EPE loan were repaid.



On 30 June 2023, a loan in the amount of CZK 67 million was granted to EOP with maturity date in 2028.

On 30 June 2023, as a result of several assignments of mutual receivables and payables between the Company, SGH and EPHGH, the Company increased its receivable arising from the loan to EPHGH to an amount of EUR 1,463 million. As at 31 December 2023, this loan was set-off against the Company's liability from its voluntary contribution to equity of EPHGH, refer also to Note 6 Equity investments.

#### FAIR VALUE INFORMATION

Fair values and the respective loans carried at amortised costs are disclosed in the following table:

In millions of EUR

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans EPHGH	-	-	718	720
Loan SGH	-	-	845	854
Loan EPE	-	-	78	76
Loan EOP	69	67	-	-
Cash pool receivables	60	60	389	389
<b>Total</b>	<b>129</b>	<b>127</b>	<b>2,030</b>	<b>2,039</b>

The fair value hierarchy of loans provided to non-financial institutions is based on Level 3 inputs (for detail of valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

## 8. Financial instruments and financial receivables

In millions of EUR

	31 December 2023	31 December 2022
<b>Hedging risks under hedge accounting: of which</b>	<b>-</b>	<b>47</b>
<i>Interest rate swaps related to cash flow hedge</i>	-	47
<b>Hedging risks beyond hedge accounting: of which</b>	<b>15</b>	<b>1</b>
<i>Interest swaps held for trading</i>	15	-
<i>Currency derivatives held for trading</i>	-	1
<b>Total</b>	<b>15</b>	<b>48</b>
<i>Non-current</i>	-	47
<i>Current</i>	15	1
<b>Total</b>	<b>15</b>	<b>48</b>

All derivatives are held for hedging purposes. In some cases the derivatives do not meet the accounting criteria for hedge accounting or the Company elected not to apply hedge accounting.

Derivatives at fair value were categorised within Level 2 of the fair value hierarchy (for details on the valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

## 9. Other receivables

In millions of EUR

	31 December 2023	31 December 2022
Trade receivables	1	1
Estimated receivables	-	1
Tax receivables	1	-
<b>Total</b>	<b>2</b>	<b>2</b>
<i>Current</i>	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

At 31 December 2023 and at 31 December 2022, no trade receivables and other assets were past due.

The Company's exposure to credit and currency risks and risk of impairment losses related to trade receivables and other assets is disclosed in Note 21 – *Risk management policies and disclosures*.

## 10. Equity

### SHARE CAPITAL AND SHARE PREMIUM

The authorised, issued and fully paid share capital of the Company as at 31 December 2023 and 31 December 2022 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each ("Shares A") and 100,130,000 shares, to which special rights are attached as specified in the Articles of Incorporation, with a par value of CZK 250 each ("Shares B").

Each shareholder is entitled to receive dividends and to cast 1 vote per 1 share with a nominal value CZK 250 at meetings of the Company's shareholders.

#### 31 DECEMBER 2023 AND 2022

In thousands of shares

	Number of shares 250 CZK		Ownership interest %	Voting rights %
	Shares A	Shares B		
EPIF Investments a.s.	222,870		69	69
CEI INVESTMENTS S.à r.l.		100,130	31	31
<b>Total</b>	<b>222,870</b>	<b>100,130</b>	<b>100</b>	<b>100</b>

### OTHER RESERVES

As of 31 December 2023 and 31 December 2022, other reserves consist of a payment over and above the share capital balance in the form of loan capitalisation.

## 11. Valuation differences on cash flow hedges

### CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK WITH NON-DERIVATIVE FINANCIAL LIABILITY

Due to the change in the functional currency on 1 January 2022 and the fact that the Company will no longer be exposed to risk related to changes in FX rates, the dividend cash flow hedge has been terminated. At the date of termination, the balance in equity was translated at (CZK to EUR) 24.86 and a release table was set in EUR; the balance will be released against future dividends (the original hedged item) between 2022 and 2034 in line with the Company's hedging policy.

	Cash flow hedges (currency risk)	Cash flow hedges (currency risk) – deferred tax	Interest rate swap (hedging)	Interest rate swap (hedging) – deferred tax	Effect from hedge accounting
<b>Balance at 31/12/2021</b>	<b>39</b>	<b>(8)</b>	<b>(83)</b>	<b>16</b>	<b>(36)</b>
Foreign currency translation differences	1	–	(2)	–	(1)
Revaluation of cash flow hedges	–	–	97	–	97
Deferred tax – cash flow hedges	–	1	–	–	1
Reclassified to profit for the period	(3)	–	15	–	12
Deferred tax – interest rate swaps	–	–	–	(21)	(21)
<b>Balance at 31/12/2022</b>	<b>37</b>	<b>(7)</b>	<b>27</b>	<b>(5)</b>	<b>52</b>
Revaluation of cash flow hedges	–	–	(17)	–	(17)
Deferred tax – cash flow hedges	–	–	–	–	–
Reclassified to profit for the period	(3)	–	(8)	–	(11)
Deferred tax – interest rate swaps	–	–	–	5	5
<b>Balance at 31/12/2023</b>	<b>34</b>	<b>(7)</b>	<b>2</b>	<b>–</b>	<b>29</b>

## 12. Loans and borrowings

In millions of EUR

	31 December 2023	31 December 2022
Bank loans	-	403
Issued debentures	2,161	2,365
Cash pool liabilities	370	103
<b>Total</b>	<b>2,531</b>	<b>2,871</b>
<i>Non-current</i>	<i>1,594</i>	<i>2,742</i>
<i>Current</i>	<i>937</i>	<i>129</i>
<b>Total</b>	<b>2,531</b>	<b>2,871</b>

The weighted average interest rate on financial liabilities without the effect of cash pool liabilities was 1.9% in 2023 (2022: 2.1%).

### ISSUED DEBENTURES AT AMORTISED COST

Details about debentures issued as at 31 December 2023 are presented in the following table:

In millions of EUR

	Principal	Accrued interest	Unamortised transaction costs	Total	Maturity	Interest rate (%)	Effective interest rate (%)
EPIF 2024 Notes	547	6	-	553	26/04/2024	1.659	1.786
EPIF 2026 Notes	600	4	(1)	603	30/07/2026	1.698	1.795
EPIF 2028 Notes	500	2	(2)	500	09/10/2028	2.045	2.117
EPIF 2031 Notes	500	8	(3)	505	02/03/2031	1.816	1.888
<b>Total</b>	<b>2,147</b>	<b>20</b>	<b>(6)</b>	<b>2,161</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 2024 NOTES

On 26 April 2018, the Company successfully placed at par its debut international offering of EUR 750 million. Notes are issued in the nominal value of EUR 100,000 each and bear 1.659% fixed rate and are unsecured ("2024 Notes"). The 2024 Notes are listed on the Irish Stock Exchange (Euronext Dublin).

Unless previously redeemed or cancelled, the 2024 Notes will be redeemed at their principal amount on 26 April 2024.

The 2024 Notes are stated net of debt issue costs of CZK 141 million (EUR 5 million). These costs are allocated to the income statement over the term of the 2024 Notes through the effective interest rate of 1.786%.

On 25 September 2023, the Company prematurely redeemed EUR 152 million from the 2024 Notes through a tender offer. Subsequently, between October and December 2023, the 2024 Notes were redeemed on the open market for a total amount of EUR 51 million. All 2024 Notes acquired in 2023 were subsequently cancelled before the end of the year.

### 2026 NOTES

On 30 July 2019, the Company successfully placed at par its offering of EUR 600 million 1.698% fixed rate unsecured notes due in July 2026 in the denomination of EUR 100,000 each ("2026 Notes"). The 2026 Notes are listed on the Irish Stock Exchange (Euronext Dublin).

Unless previously redeemed or cancelled, the 2026 Notes will be redeemed at their principal amount on 30 July 2026.

The 2026 Notes are stated net of debt issue costs of CZK 98 million (EUR 4 million). These costs are allocated to the income statement over the term of the 2026 Notes through the effective interest rate of 1.795%.

### 2028 NOTES

On 9 October 2019, the Company successfully placed at par its offering of EUR 500 million 2.045% fixed rate unsecured notes due in October 2028 in the denomination of EUR 100,000 each ("2028 Notes"). The 2028 Notes are listed on the Irish Stock Exchange (Euronext Dublin).

Unless previously redeemed or cancelled, the 2028 Notes will be redeemed at their principal amount on 9 October 2028.

The 2028 Notes are stated net of debt issue costs of CZK 75 million (EUR 3 million). These costs are allocated to the income statement over the term of the 2028 Notes through the effective interest rate of 2.117%.

### 2031 EPIF NOTES

On 2 March 2021, the Company took advantage of favourable market conditions and successfully placed at par its offering of EUR 500 million 1.816% fixed rate unsecured notes due in March 2031 in the denomination of EUR 100,000 each ("2031 Notes"). The 2031 Notes are listed on the Irish Stock Exchange (Euronext Dublin). Unless previously redeemed or cancelled, the 2031 Notes will be redeemed at their principal amount on 2 March 2031. The proceeds from the notes were used primarily for early refinancing of Company's financial liabilities.

The 2031 Notes are stated net of debt issue costs of CZK 86 million (EUR 3 million). These costs are allocated to the income statement over the term of the 2031 Notes through the effective interest rate of 1.888%.

All of the Company's notes described above contain covenants that restrict the payment of certain types of dividends to the Company's shareholders in certain situations. In addition, the Company must monitor the ratio of the total net debt of entities under EP Infrastructure, a.s. (the "Group") to the Group's EBITDA (i.e. the net debt ratio) before certain types of dividend payments are carried out.

#### FAIR VALUE INFORMATION

The fair value of interest-bearing instruments held at amortised cost is shown in the table below:

In millions of EUR

	31 December 2023		31 December 2022	
	Carrying amount	Fair values	Carrying amount	Fair values
Bank loan	–	–	403	410
Issued debentures	2,161	1,885	2,365	1,847
Cash pool	370	370	103	103
<b>Total</b>	<b>2,531</b>	<b>2,255</b>	<b>2,871</b>	<b>2,360</b>

Issued debentures are categorised within Level 1 of the fair value hierarchy. Bank loans are categorised within Level 3 of the fair value hierarchy (for detail of valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

## 13. Financial instruments and financial liabilities

In millions of EUR

	31 December 2023	31 December 2022
<b>Hedging risks beyond hedge accounting: of which</b>	<b>–</b>	<b>1</b>
<i>Currency derivatives held for trading</i>	–	1
<b>Total</b>	<b>–</b>	<b>1</b>
<i>Current</i>	–	1
<b>Total</b>	<b>–</b>	<b>1</b>

All derivatives are held for hedging purposes. In some cases the derivatives do not meet the accounting criteria for hedge accounting or the Company elected not to apply hedge accounting.

Derivatives at fair value were categorised within Level 2 of the fair value hierarchy (for details on the valuation methods refer to Note 2 (d) i – *Assumption and estimation uncertainties*).

## 14. Other liabilities

In millions of EUR

	31 December 2023	31 December 2022
Trade payables	2	3
Current tax liability	–	9
<b>Total</b>	<b>2</b>	<b>12</b>
<i>Current</i>	2	12
<b>Total</b>	<b>2</b>	<b>12</b>

The estimate of liabilities is based on contractual conditions or on invoices received after the balance sheet date, still before the sign-off of the financial statements.

Trade payables and other liabilities have not been secured as at 31 December 2023 and 31 December 2022.

As at 31 December 2023 and 31 December 2022, no liabilities to tax authorities were overdue.

## 15. Personnel expenses

In millions of EUR

	2023	2022
Wages and salaries	3	3
Compulsory social security contributions	1	1
<b>Total</b>	<b>4</b>	<b>4</b>

The average number of employees in full time equivalent units during 2023 was 19.3 (2022: 17.5), of which 7 (2022: 7) were executives.

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

### RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2023	2022
Dividend income	86	38
Interest income (under the effective interest method)	75	45
Net foreign exchange gain	4	27
Finance income from assigned receivables	1,453	-
Profit on release of allowance for loans and equity investments	25	-
Other income	4	-
<b>Finance income</b>	<b>1,647</b>	<b>110</b>
Interest expense (under the effective interest method)	(48)	(50)
Fees and commissions expense for payment transactions	(8)	(2)
Finance expense from assigned receivables	(1,453)	-
Loss from allowances to loans/equity investments	-	(3)
<b>Finance expense</b>	<b>(1,509)</b>	<b>(55)</b>
Profit (loss) from hedging derivatives	5	(15)
Profit (loss) from interest rate derivatives held for trading	-	40
<b>Profit (loss) from financial instruments</b>	<b>5</b>	<b>25</b>
<b>Net finance income recognised in profit or loss</b>	<b>143</b>	<b>80</b>

## 17. Income tax expenses

### INCOME TAX RECOGNISED IN PROFIT OR LOSS

In millions of EUR

	2023	2022
<i>Current taxes:</i>		
Current year	(4)	(9)
Adjustment for prior periods	-	-
<b>Total current taxes</b>	<b>(4)</b>	<b>(9)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	3	(2)
<b>Total deferred taxes</b>	<b>3</b>	<b>(2)</b>
<b>Total income taxes (expense) recognised in the statement of comprehensive income from continuing operations</b>	<b>(1)</b>	<b>(11)</b>

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

Deferred tax was calculated using currently enacted tax rate expected to apply when the asset is realised, or the liability settled, i.e. 21%. According to Czech legislation, the corporate income tax rate was 19% for the fiscal year 2023 (19% for 2022).

### POTENTIAL INCOME TAX EXPOSURE ASSESSMENT WITHIN PILLAR TWO

The Company is part of a multinational group of companies subject to new 15 % minimum taxation rules introduced based on the Pillar 2 rules of the BEPS 2.0 initiative since 2024. Related legislation was enacted close to the reporting date. Additionally, further guidance affecting the implication of the Pillar 2 legislation is still being issued by the legislators. As a result, the Group and the Company are still in the process of assessing the potential exposure to Pillar 2 income taxes as at 31 December 2023. The potential material exposure, if any, to Pillar 2 income taxes is currently not known or cannot be estimated or measured reliably. The Company, in cooperation with the Group, continues to actively monitor the development of the Pillar 2 legislation and assess the potential impact of Pillar 2.



**INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME**

In millions of EUR

	<b>2023</b>		
	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
Effective portion of changes in fair value of hedging instruments (currency risk)	(3)	–	(3)
Effective portion of changes in fair value of hedging instruments (interest rate risk)	(25)	5	(20)
<b>Total</b>	<b>(28)</b>	<b>5</b>	<b>(23)</b>

In millions of EUR

	<b>2022</b>		
	<b>Gross</b>	<b>Income tax</b>	<b>Net of income tax</b>
Effective portion of changes in fair value of hedging instruments (currency risk)	(3)	1	(2)
Effective portion of changes in fair value of hedging instruments (interest rate risk)	111	(21)	90
<b>Total</b>	<b>108</b>	<b>(20)</b>	<b>88</b>

**RECONCILIATION OF EFFECTIVE TAX RATE**

In millions of EUR

	<b>2023</b>		<b>2022</b>	
	<b>%</b>		<b>%</b>	
Profit from continuing operations before tax		135		74
Income tax using the Czech domestic rate (19 %)	19.0	(26)	19.0	(14)
Non-taxable income – dividends	(11.9)	16	(9.8)	7
Other non-taxable income	0.0	0	(1.2)	1
Non-deductible expenses/non-taxable income – interest	(1.5)	2	8.2	(6)
Non-deductible expenses – other financial expenses	1.0	(1)	0.4	0
Non-deductible expenses/non-taxable income – provisions and allowances	(3.5)	5	0.0	0
Non-deductible expenses – other	0.8	(1)	3.5	(3)
Other effects on profit or loss	(3.3)	4	(5.3)	4
<b>Income taxes recognised in the comprehensive income statement</b>	<b>0.7</b>	<b>(1)</b>	<b>14.7</b>	<b>(11)</b>

**18. Deferred tax assets and liabilities****THE FOLLOWING DEFERRED TAX ASSETS AND LIABILITIES HAVE BEEN RECOGNISED**

In millions of EUR

<b>Temporary difference related to:</b>	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Financial instruments and financial liabilities	–	(2)	–	(2)
Derivatives	–	–	–	(5)
Cash flow hedges	–	(7)	–	(9)
<b>Total</b>	<b>–</b>	<b>(9)</b>	<b>–</b>	<b>(16)</b>
<b>Total (net)</b>		<b>(9)</b>		<b>(16)</b>

Movements in deferred tax during the year::

In millions of EUR

<b>Balance related to:</b>	<b>Balance at 1 January 2023</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>Balance at 31 December 2023</b>
Financial instruments and financial liabilities	(2)	–	–	(2)
Derivatives	(5)	–	5	–
Cash flow hedges	(9)	3	–	(7)
<b>Total</b>	<b>(16)</b>	<b>3</b>	<b>5</b>	<b>(9)</b>

Movements in deferred tax during the prior period:

In millions of EUR

<b>Balance related to:</b>	<b>Balance at 1 January 2022</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>Balance at 31 December 2022</b>
Financial instruments and financial liabilities	(2)	–	–	(2)
Derivatives	17	–	(22)	(5)
Cash flow hedges	(8)	(2)	1	(9)
<b>Total</b>	<b>7</b>	<b>(2)</b>	<b>(21)</b>	<b>(16)</b>

## 19. Off-balance sheet assets and liabilities

The Company recognised receivables in the amount of EUR 520 million (31 December 2022: EUR 731 million) and payables in the amount of EUR 520 million (31 December 2022: EUR 731 million) each in its off-balance sheet records, which represented the nominal value of existing derivatives.

The Company recognised a receivable arising from guarantees granted to companies within the Group in the total amount of EUR 59 million (31 December 2022: EUR 58 million) and a liability from the guarantees granted within the Group in the total amount of EUR 50 million (31 December 2022: EUR 50 million) each in its off-balance sheet records.

The Company also recognised undrawn revolving credit facilities in the amount of EUR 450 million (31 December 2022: EUR 50 million).

## 20. Operating expenses and income

### SALES AND OPERATING INCOME

Sales and operating income of the Company comprise provided support and consulting services.

### OTHER OPERATING EXPENSES

In millions of EUR

	2023	2022
Audit, accounting, consolidation	2	3
Tax, legal and other advisory	1	2
Other	1	2
Provisions/release of provisions	-	(2)
<b>Total for continuing operations</b>	<b>4</b>	<b>5</b>

Information on remuneration to statutory auditors will be provided in the notes to the consolidated financial statements of the Company. Services in addition to the Statutory audit include primarily the following services:

- Review of the condensed interim consolidated financial statements as at 30 June 2023;
- Assistance with the compilation of the Sustainability Report;
- Comfort letter.

No significant research and development expenses were recognised in the statement of comprehensive income for the years ended 31 December 2023 and 31 December 2022.

## 21. Risk management policies and disclosures

This section provides details of the Company's exposure to financial and operational risks and the way it manages such risk. Credit risk, liquidity risk and market risk are the most important types of financial risks to which the Company is exposed.

As part of its operations, the Company is exposed to different market risks, notably the risk of changes in interest rates and exchange rates. To minimise this exposure, the Company 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

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances. The Company is exposed to credit risk mainly in connection with loans provided to subsidiaries; other significant receivables predominantly include other receivables and trade receivables. The Company regularly monitors the ability of debtors to pay their receivables through the analysis of the financial reporting of these entities.

### ADDITIONAL ASPECTS MITIGATING CREDIT RISK

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

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

## CREDIT RISK BY TYPE OF COUNTERPARTY

AS AT 31 DECEMBER 2023

In millions of EUR

	Corporate (non-financial institutions)	State, government	Banks	Total
<b>Assets</b>				
Cash and cash equivalents	-	-	461	<b>461</b>
Other receivables	1	1	-	<b>2</b>
Loans at amortised cost	129	-	-	<b>129</b>
Financial instruments and financial assets	-	-	15	<b>15</b>
<b>Total</b>	<b>130</b>	<b>1</b>	<b>476</b>	<b>607</b>

AS AT 31 DECEMBER 2022

In millions of EUR

	Corporate (non-financial institutions)	State, government	Banks	Total
<b>Assets</b>				
Cash and cash equivalents	-	-	270	<b>270</b>
Other receivables	3	-	-	<b>3</b>
Loans at amortised cost	2,030	-	-	<b>2,030</b>
Financial instruments and financial assets	-	-	47	<b>47</b>
<b>Total</b>	<b>2,033</b>	<b>-</b>	<b>317</b>	<b>2,350</b>

## CREDIT RISK BY LOCATION OF DEBTOR

AS AT 31 DECEMBER 2023

In millions of EUR

	Czech Republic	Netherlands	Other	Total
<b>Assets</b>				
Cash and cash equivalents	461	-	-	<b>461</b>
Other receivables	2	-	-	<b>2</b>
Loans at amortised cost	129	-	-	<b>129</b>
Financial instruments and financial assets	15	-	-	<b>15</b>
<b>Total</b>	<b>607</b>	<b>-</b>	<b>-</b>	<b>607</b>

AS AT 31 DECEMBER 2022

In millions of EUR

	Czech Republic	Netherlands	Other	Total
<b>Assets</b>				
Cash and cash equivalents	270	-	-	<b>270</b>
Other receivables	3	-	-	<b>3</b>
Loans at amortised cost	467	1,563	-	<b>2,030</b>
Financial instruments and financial assets	47	-	-	<b>47</b>
<b>Total</b>	<b>787</b>	<b>1,563</b>	<b>-</b>	<b>2,350</b>

## IMPAIRMENT LOSSES

The Company establishes an allowance for all expected future losses arising from the asset over the course of the asset's useful life. Allowances are established predominantly on an individual basis for loans provided. All financial assets of the Company were classified at Stage 1.

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

#### CREDIT RISK - IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2023

In millions of EUR

	Other receivables	Loans to other than credit institutions	Financial instruments and financial assets	Total
Before maturity (net)	2	129	15	146
After maturity (net)	-	-	-	-
<b>Total</b>	<b>2</b>	<b>129</b>	<b>15</b>	<b>146</b>
A – Assets for which an allowance has been created				
– gross	-	-	-	-
– specific loss allowance	-	-	-	-
– general loss allowance	-	-	-	-
<b>Net</b>	<b>2</b>	<b>129</b>	<b>15</b>	<b>146</b>
<b>Total</b>	<b>2</b>	<b>129</b>	<b>15</b>	<b>146</b>

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2023 were as follows:

In millions of EUR

	Loans to other than credit institutions	Total
<b>Balance at 1 January 2023</b>	25	25
Impairment losses recognised during the year	-	-
Reversals (release) of impairment losses recognised during the year	(25)	(25)
<b>Balance at 31 December 2023</b>	-	-

#### CREDIT RISK - IMPAIRMENT OF FINANCIAL ASSETS

AS AT 31 DECEMBER 2022

In millions of EUR

	Other receivables	Loans to other than credit institutions	Financial instruments and financial assets	Total
Before maturity (net)	3	2,030	47	2,080
After maturity (net)	-	-	-	-
<b>Total</b>	<b>3</b>	<b>2,030</b>	<b>47</b>	<b>2,080</b>
A – Assets for which an allowance has been created				
– gross	-	2,055	-	2,055
– specific loss allowance	-	(25)	-	(25)
– general loss allowance	-	-	-	-
<b>Net</b>	<b>3</b>	<b>2,030</b>	<b>47</b>	<b>2,080</b>
<b>Total</b>	<b>3</b>	<b>2,030</b>	<b>47</b>	<b>2,080</b>

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	Total
<b>Balance at 1 January 2022</b>	22	22
Impairment losses recognised during the year	3	3
Reversals (release) of impairment losses recognised during the year	-	-
<b>Balance at 31 December 2022</b>	<b>25</b>	<b>25</b>

#### B LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Company flexible and limits its dependency on one financing source. Liquidity risk is evaluated by monitoring changes in the structure of financing and comparing these changes with the Company's liquidity risk management strategy.

Typically, the Company 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 overview below provides an analysis of the Company's 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 disclosed.

As of the date of preparation of the financial statements, the Company records undrawn credit facilities described in Note 19, which guarantee sufficient additional liquidity, also with respect to the value of current assets and current liabilities as at 31 December 2023.

#### MATURITIES OF FINANCIAL LIABILITIES

AS AT 31 DECEMBER 2023

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	2,531	2,674	379	589	1,188	518
Financial instruments and financial liabilities	-	-	-	-	-	-
Other liabilities	2	2	2	-	-	-
<b>Total</b>	<b>2,533</b>	<b>2,676</b>	<b>381</b>	<b>589</b>	<b>1,188</b>	<b>518</b>

(1) Contractual cash flows disregard discounting to net present value and include potential future interest.

AS AT 31 DECEMBER 2022

In millions of EUR

	Carrying amount	Contractual cash flows <sup>(1)</sup>	Up to 3 months	3 months to 1 year	1–5 years	Over 5 years
<b>Liabilities</b>						
Loans and borrowings	2,871	2,871	112	17	1,747	995
Financial instruments and financial liabilities	1	1	-	1	-	-
Other liabilities	12	12	4	8	-	-
<b>Total</b>	<b>2,884</b>	<b>2,884</b>	<b>116</b>	<b>26</b>	<b>1,747</b>	<b>995</b>

(1) Contractual cash flows disregard discounting to net present value and include potential future interest.

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier or in significantly different amounts.

#### C INTEREST RATE RISK

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Company'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, 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 2023 is as follows:

In millions of EUR

	Up to 1 year	1–5 years	Over 5 years	Undefined maturity	Total
<b>Assets</b>					
Cash and cash equivalents	461	-	-	-	461
Other receivables	-	-	-	2	2
Loans at amortised cost	129	-	-	-	129
Financial instruments and financial receivables	15	-	-	-	15
<i>out of which Derivatives – inflow (receivables)</i>	500	-	-	-	500
<i>– outflow (payables)</i>	-	(300)	(200)	-	(500)
<b>Total</b>	<b>605</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>607</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(1)</sup>	937	1,097	497	-	2,531
Financial instruments and financial liabilities	-	-	-	-	-
Other liabilities	-	-	-	2	2
<b>Total</b>	<b>937</b>	<b>1,097</b>	<b>497</b>	<b>2</b>	<b>2,533</b>
<b>Net interest rate risk position</b>	<b>(332)</b>	<b>(1,097)</b>	<b>(497)</b>	<b>-</b>	<b>(1,926)</b>
<b>Net interest rate risk position (incl. IRS)</b>	<b>168</b>	<b>(1,397)</b>	<b>(697)</b>	<b>-</b>	<b>(1,926)</b>

(1) Disregarding agreed interest rate swaps



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	1–5 years	Over 5 years	Undefined maturity	Total
<b>Assets</b>					
Cash and cash equivalents	270	-	-	-	<b>270</b>
Other receivables	-	-	-	2	<b>2</b>
Loans at amortised cost	2,030	-	-	-	<b>2,030</b>
Financial instruments and financial receivables	1	-	47	-	<b>48</b>
<i>out of which Derivatives – inflow (receivables)</i>	<i>710</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>710</i>
<i>– outflow (payables)</i>	<i>-</i>	<i>-</i>	<i>(710)</i>	<i>-</i>	<i>(710)</i>
<b>Total</b>	<b>2,301</b>	<b>-</b>	<b>47</b>	<b>2</b>	<b>2,350</b>
<b>Liabilities</b>					
Loans and borrowings <sup>(1)</sup>	129	1,747	995	-	<b>2,871</b>
Financial instruments and financial liabilities	-	1	-	-	<b>1</b>
Other liabilities	-	-	-	12	<b>12</b>
<b>Total</b>	<b>129</b>	<b>1,748</b>	<b>995</b>	<b>12</b>	<b>2,884</b>
<b>Net interest rate risk position</b>	<b>2,172</b>	<b>(1,748)</b>	<b>(948)</b>	<b>(10)</b>	<b>(534)</b>
<b>Net interest rate risk position (incl. IRS)</b>	<b>2,882</b>	<b>(1,748)</b>	<b>(1,658)</b>	<b>(10)</b>	<b>(534)</b>

(1) Disregarding agreed interest rate swaps

#### SENSITIVITY ANALYSIS

The Company performs stress testing using a standardised interest rate shock, 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 interest rates would have increased or decreased Company's 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

	31/12/2023	31/12/2022
	Profit (loss)	Profit (loss)
Decrease in interest rates by 1%	(2)	(2)
Increase in interest rates by 1%	2	2

#### D FOREIGN EXCHANGE RISK

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

The Company is exposed to a currency risk on sales, purchases and borrowings that are denominated in a currency other than the Company's functional currency (EUR), primarily CZK.

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

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

As of 31 December 2023, the Company's financial assets and liabilities based on denomination were as follows:

In millions of EUR

	CZK	EUR	Other	Total
<b>Assets</b>				
Cash and cash equivalents	-	461	-	<b>461</b>
Other receivables	2	-	-	<b>2</b>
Financial assets and financial receivables	-	15	-	<b>15</b>
Loans at amortised cost	-	129	-	<b>129</b>
	<b>2</b>	<b>605</b>	<b>-</b>	<b>607</b>
<b>Off-balance sheet assets</b>	<b>65</b>	<b>514</b>	<b>-</b>	<b>579</b>
<b>Liabilities</b>				
Loans and borrowings	-	2,531	-	<b>2,531</b>
Financial instruments and financial liabilities	-	-	-	<b>-</b>
Other liabilities	2	-	-	<b>2</b>
	<b>2</b>	<b>2,531</b>	<b>-</b>	<b>2,533</b>
<b>Off-balance sheet liabilities</b>	<b>10</b>	<b>1,010</b>	<b>-</b>	<b>1,020</b>
<b>Net FX risk position</b>	<b>55</b>	<b>(2,422)</b>	<b>-</b>	<b>(2,367)</b>
Effect of currency hedging	-	-	-	<b>-</b>
<b>Net FX risk position after hedging</b>	<b>55</b>	<b>(2,422)</b>	<b>-</b>	<b>(2,367)</b>

Off-balance sheet assets are described in more detail in Note 19 – *Off balance-sheet assets and liabilities*.

As of 31 December 2022, the Company's financial assets and liabilities based on denomination were as follows:

In millions of EUR

	CZK	EUR	Other	Total
<b>Assets</b>				
Cash and cash equivalents	9	261	–	<b>270</b>
Other receivables	–	2	–	<b>2</b>
Financial assets and financial receivables	1	47	–	<b>48</b>
Loans at amortised cost	–	2,030	–	<b>2,030</b>
	<b>10</b>	<b>2,340</b>	<b>–</b>	<b>2,350</b>
<b>Off-balance sheet assets</b>	68	721	–	<b>789</b>
	<b>68</b>	<b>721</b>	<b>–</b>	<b>789</b>
<b>Liabilities</b>				
Loans and borrowings	–	2,871	–	<b>2,871</b>
Financial instruments and financial liabilities	1	–	–	<b>1</b>
Other liabilities	12	–	–	<b>12</b>
	<b>13</b>	<b>2,871</b>	<b>–</b>	<b>2,884</b>
<b>Off-balance sheet liabilities</b>	11	820	–	<b>831</b>
	<b>11</b>	<b>820</b>	<b>–</b>	<b>831</b>
<b>Net FX risk position</b>	<b>54</b>	<b>(630)</b>	<b>–</b>	<b>(576)</b>
Effect of currency hedging	–	–	–	–
<b>Net FX risk position after hedging</b>	<b>54</b>	<b>(630)</b>	<b>–</b>	<b>(576)</b>

Off-balance sheet assets are described in more detail in Note 19 – *Off balance-sheet assets and liabilities*.

The following significant exchange rates applied during the reporting period:

	2023		2022	
	Average rate	Reporting date rate	Average rate	Reporting date rate
CZK				
EUR	24.007	24.725	24.565	24.115

## SENSITIVITY ANALYSIS

A strengthening (weakening) of the EUR, as indicated below, against the CZK at the reporting date would have an impact on profit or loss and other comprehensive income for the accounting period due to a positive (negative) revaluation of net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Company 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

	31/12/2023	31/12/2022
	Profit (loss)	Profit (loss)
5% strengthening of EUR to CZK	3	3

Effect in millions of EUR

	31/12/2023	31/12/2022
	Other comprehensive income	Other comprehensive income
5% strengthening of EUR to CZK	3	3

A weakening of the EUR against the above currency at the reporting date would have had equal but opposite effect, on the basis that all other variables remain constant.

## E OPERATIONAL RISK

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all activities and is faced by all business organisations. Operational risk includes legal risk.

The primary responsibility for the implementation of controls to address operational risk is assigned to the Company's management. General standards applied cover the following areas:

- requirements for the reconciliation and monitoring of transactions
- identification of operational risk within the control system,
- this overview of the operational risk events allows the Company to specify the direction of the steps and process to take in order to limit these risks, as well as to make decisions regarding:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

**F CAPITAL MANAGEMENT**

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

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

The Company is not subject to externally imposed capital requirements.

The Company also monitors its debt to adjusted capital ratio. At the end of the reporting period, the ratio was as follows:

In millions of EUR

	31 December 2023	31 December 2022
Total liabilities bearing interest	2,531	2,871
Less: cash and cash equivalents	461	270
<b>Net debt</b>	<b>2,070</b>	<b>2,601</b>
Total equity attributable to the equity holders	5,064	4,952
Less: amounts accumulated in equity relating to cash flow hedges	29	52
<b>Adjusted capital</b>	<b>5,035</b>	<b>4,900</b>
<b>Debt to adjusted capital</b>	<b>0.41</b>	<b>0.53</b>

**G HEDGE ACCOUNTING****CASH FLOW HEDGES – HEDGE OF FOREIGN CURRENCY RISK WITH NON-DERIVATIVE FINANCIAL LIABILITY**

Due to the change in the functional currency on 1 January 2022, the Company will no longer be exposed to material risk related to changes in FX rates. As such, the dividend cash flow hedge has been terminated. At the date of termination, the balance in equity was translated at (CZK to EUR) 24.86 and a release table was set in EUR, the balance will be released against future dividends (the original hedged item) between 2022 and 2034.

**CASH FLOW HEDGES – HEDGE OF INTEREST RATE RISK**

The Company applied hedge accounting for hedging instruments designed to hedge the interest rate risk of its debt financing before 2 March 2021. The hedging instruments included interest rate swaps used to hedge the risk related to the repricing of interest rates on debt financing. Due to refinancing of loans with a variable interest rate by a debenture with a fixed rate, the hedge accounting was discontinued. As at 2 March 2021, a hedge effectiveness test was performed, and the relationship was assessed as ineffective. As a result of the discontinued hedge relationship, the Company recognised a cash flow hedge reserve from interest in equity in the amount of CZK 2,609 million (equivalent of EUR 100 million). The revaluation of interest swaps used as hedging between 31 December 2020 and 2 March 2021 was derecognised in the profit or loss for 2021 and concurrently the relevant release was set for 2021–2026. This hedging should have been gradually derecognised together with the future interest (hedged item) in the profit or loss.

From 26 April 2022, the Company applied hedge accounting for hedging instruments designed to hedge interest rate risk of debt financing. Hedging instruments were interest rate swaps used to hedge the risk associated with changes in interest rates on debt financing. In total, the Company had entered into interest rate swaps with a nominal amount of EUR 710 million maturing between 2028 and 2029 with fixed rates ranging from 1.551% to 1.671%. In April 2023, the funding requirement of the Company was reassessed and the hedging instrument (interest rate swaps) was reduced to a nominal value of EUR 500 million. The effect of the termination of part of the hedging relationship of EUR 26 million was derecognised in a lump sum to the profit for 2023. As at 31 December 2023, the Company assessed the probability that the Company's note due in April 2024 will be refinanced. Given the relatively low probability that previously intended future interest payments (hedged item) under the hedging documentation will occur, the corresponding amount of EUR 46 million has been on one-off basis charged to profit or loss in 2023. The valuation differences on cash flow hedges in equity for interest rate risk at 31 December 2023 amount to EUR 2 million (2022: EUR 67 million).

## 22. Related parties

### IDENTITY OF RELATED PARTIES

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

### A THE SUMMARY OF OUTSTANDING BALANCES WITH RELATED PARTIES AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022:

The Company had transactions with related parties, its parent company, and other related parties, as follows:

In millions of EUR

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	31/12/2023	31/12/2023	31/12/2022	31/12/2022
Subsidiaries	2	324	1,799	-
Other*	129	48	266	107
<b>Total</b>	<b>131</b>	<b>372</b>	<b>2,065</b>	<b>107</b>

\* Entities under Energetický a průmyslový holding a.s.

Daniel Křetínský is the ultimate shareholder.

### B THE SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022 WAS AS FOLLOWS:

In millions of EUR

	Revenues	Expenses	Revenues	Expenses
	2023	2023	2022	2022
Subsidiaries	862	-	57	-
Other*	753	5	4	5
<b>Total</b>	<b>1,615</b>	<b>5</b>	<b>61</b>	<b>5</b>

\* Entities under Energetický a průmyslový holding a.s.

Daniel Křetínský is the ultimate shareholder.

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

### TRANSACTIONS WITH THE KEY MANAGEMENT PERSONNEL

The members of the Board of Directors and the Supervisory Board of the Company did not receive any other significant monetary or non-monetary performance for 2023 and 2022. At the same time, members nominated by EPIF Investment a.s. (shareholder of EPIF) were also employed by other companies of the EPH Group.

Social security and health insurance liabilities were not overdue.

## 23. Subsequent events

Following the amendment to Decree No. 500/2002, for tax purposes the Company has also switched from the historically used currency CZK to EUR as of 1 January 2024.

On 5 March 2024, EPIF announced that it has raised EUR 285 million through Schuldschein loan agreements under German law issued in line with EPIF's green principles (so called "green Schuldschein"). The floating rate Schuldschein loan agreements have durations of three and five years. EPIF aims to allocate the proceeds from the Schuldschein loan agreements in accordance with its Green Finance Framework established in August 2023.

On 11 March 2024, the Company prolonged the maturity of the facility agreement between the Company, EPE and a bank, for the amount up to EUR 50 million multicurrency documentary overdraft and revolving facilities agreement originally entered into in 2020, until 30 April 2026.

Between the balance sheet date and the financial statements preparation date, there were no other events with a material impact on the assessment of the asset and financial situation and results of business activities as at 31 December 2023.

